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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

H.R. 2989

AN ACT MAKING APPROPRIATIONS FOR THE TREASURY DEPARTMENT, THE UNITED STATES POSTAL SERVICE, THE EXECUTIVE OFFICE OF THE PRESIDENT, AND CERTAIN INDEPENDENT AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1990, AND FOR OTHER PURPOSES

PART 2 (Pages 1-705)

DEPARTMENT OF THE TREASURY
EXECUTIVE OFFICE OF THE PRESIDENT
FEDERAL ELECTION COMMISSION
FEDERAL LABOR RELATIONS AUTHORITY
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
NONDEPARTMENTAL WITNESSES
OFFICE OF GOVERNMENT ETHICS
OFFICE OF PERSONNEL MANAGEMENT

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CONTENTS

TUESDAY, APRIL 4, 1989

Executive Office of the President: Page
Office of Administration 1
Executive Residence at the White House 37
National Critical Materials Council 63
Federal Labor Relations Authority 87

WEDNESDAY, APRIL 12, 1989

National Archives and Records Administration 119
Office of Government Ethics 153
Federal Election Commission 189

TUESDAY, APRIL 18, 1989

Office of Personnel Management 223
Executive Office of the President: Office of Federal Procurement Policy 341

TUESDAY, MAY 2, 1989

Department of the Treasury: Office of the Secretary 373

THURSDAY, MAY 4, 1989

Executive Office of the President: Office of Management and Budget 439

THURSDAY, JUNE 1, 1989

Executive Office of the President: Office of National Drug Control Policy 521
Nondepartmental witnesses 593

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

TUESDAY, APRIL 4, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:13 a.m., in room S-126, the Capitol, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini and Reid.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF ADMINISTRATION

STATEMENT OF PAUL W. BATEMAN, DEPUTY ASSISTANT TO THE PRESIDENT FOR MANAGEMENT, AND DIRECTOR OF THE OFFICE OF ADMINISTRATION

ACCOMPANIED BY:
- HECTOR F. IRASTORZA, JR., SPECIAL ASSISTANT TO THE PRESIDENT AND DEPUTY DIRECTOR OF THE OFFICE OF ADMINISTRATION
- RON R. RASMUSSEN, DIRECTOR, FINANCIAL MANAGEMENT DIVISION
- GREGORY D. CUMMINGS, BUDGET OFFICER

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service, and General Government will come to order. I apologize for keeping you all waiting. I was at the doctor's, and those guys do not seem to move as fast as we do.

Today, we will continue our fiscal year 1990 budget hearings. This morning, we will be receiving testimony from representatives of the Executive Office of the President, the National Critical Materials Council, the White House residence, and the Federal Labor Relations Authority.

I thank all of you for coming here today and providing the subcommittee with all the information necessary for the 1990 budget request. Before we get started, I would like to ask each of the witnesses to limit his or her opening remarks to 5 minutes, if you will. Your full statement will appear in the record as submitted.

We will begin the hearings with the Executive Office of the President. Mr. Paul Bateman, Deputy Assistant to the President for Management, and Director of the Office of Administration, will be our lead witness. I know this is your first appearance before this subcommittee, so we want to take the opportunity to welcome you and express our desire to work with you, Mr. Bateman, and do all we can.

You may proceed. Please introduce the other members of your staff who are here with you.

Mr. **Bateman**. Thank you, Mr. Chairman. On my far left, I am joined by Mr. Gregory Cummings, who is the Budget Officer for the Office of Administration. And to my immediate left is Mr. Ron Rasmussen, the Director of the Financial Management Division of the Office of Administration. Behind me in the audience is Rose Zamaria, who is the Special Assistant to the President and Director of White House Operations. To my right is my deputy, Hector Irastorza, who is also a Special Assistant to the President. If I may, I will summarize my statement, which has been submitted in full.

We are pleased to appear here today before this committee to present the fiscal year 1990 budget request for nine appropriations within the Executive Office of the President.

I will testify this morning on behalf of the following appropriations: Compensation of the President; the White House Office; the Office of Administration; Special Assistance to the President; the Official Residence of the Vice President; the Unanticipated Needs Account, the Office of Policy Development, the Council of Economic Advisers, and the National Security Council.

Since taking office, the Bush administration has placed a high priority on reviewing the requested level of funding for the White House Office as well as the other accounts represented before you today. I am pleased to report that based upon this review, we have been able to identify savings in three of the accounts presented. The White House Office, the Office of Administration, and the National Security Council are requesting a total amount of $680,000 less under the Bush administration than was included in the initial fiscal year 1990 Reagan budget request.

The fiscal year 1990 budget request for the nine Executive Office accounts totals $61,641,000, an increase of $2,247,000 over the fiscal year 1989 appropriated amount. For fiscal year 1990, we are requesting a total of 619 full-time permanent positions for these agencies, a decrease of eight positions below the fiscal year 1989 authorized level.

At this time, I would like to mention the funding which your committee provided in fiscal year 1989 for the transition costs associated with the change in administrations. Mr. Chairman, the Executive Office of the President faced a challenging role in the past year. Many EOP agencies experienced a large turnover in staff. More specifically, the Office of Administration was called upon to provide an intensive level of support to ensure a smooth transition between the departing and incoming administrations. These included pre-election planning, coordination with the General Services Administration's Transition Office and the President-elect's team, and provision of the full range of administrative services to the incoming and outgoing administrations.

I can report today that, with the support of this committee in the form of funds for transition costs, the transition effort was a successful one. This funding greatly contributed to an efficient transfer of leadership during recent months; and I assure you that each dollar provided was prudently managed and accounted for over the course of the transition.

The increase for fiscal year 1990 results from three major factors. First, uncontrollable cost increases related to inflation and the 4.1 percent pay raise; second, improved automated data processing capabilities within the Executive Office of the President; and third, an EOP-wide space resurvey to reconcile actual occupancy with GSA's database.

The Office of Administration is also providing support for two newly created agencies within the Executive Office of the President. The Office of National Drug Control Policy and the National Space Council were both created in this fiscal year.

In addition, I am pleased to report to you that during the past year, the Office of Administration coordinated a comprehensive review of the fundamental structural condition of the Official Residence of the Vice President and its long-term maintenance requirements. A documented study which incorporated the full findings of the review team is now in the final stages of completion.

This study will establish a sound foundation for future budgeting and planning purposes, creating a situation where for the first time, repairs to the residence will be anticipated rather than reactive in nature. When the study has been finalized and an internal review has been completed, we will be happy to provide the committee with a full briefing.

For fiscal year 1990, we are requesting an additional $120,000 for urgent needs of the residence as identified in the early stages of the study.

Finally, during the first few months in office, the administration has been performing a close examination of the fiscal year 1989 resources available to the new President. Due in no small part to the actions of this committee, I feel our resources are sufficient. However, it is still early in the new administration, and internal reprogramming within the White House Office to support a modern ADP program may be necessary. We are also examining the adequacy of funding for presidential travel. I will keep the committee fully informed of all our needs and respectfully request your continued support should any later adjustments become necessary.

I would like to take this opportunity now to express my appreciation to your fine staff, especially Patty Lynch and Becky Davies, for the professionalism and courtesy that has characterized their dealings with us. At the outset of the new administration, I also want to assure you of our commitment to the maintenance of open and honest communication with your committee on the accounts represented before you today.

While we may not always agree on every topic addressed, we intend to continue the frank and responsive dialog we have already established.

That concludes my remarks, and I would be happy to answer your questions, sir.

[The statement follows:]

STATEMENT OF PAUL W. BATEMAN

Mr. Chairman and Members of the Committee: I am pleased to appear before this committee to present the fiscal year 1990 budget request for nine appropriations within the Executive Office of the President.

I will testify this morning on behalf of the following appropriations: Compensation of the President, the White House Office, the Office of Administration, Special Assistance to the President, the Official Residence of the Vice President, the Unanticipated Needs account, the Office of Policy Development, the Council of Economic Advisers, and the National Security Council.

Since taking office, the Bush Administration has placed a high priority on reviewing the requested level of funding for the White House Office as well as the other accounts represented before you today. I am pleased to report that based upon this review we have been able to identify savings in three of the accounts presented. The White House Office, the Office of Administration, and the National Security Council are requesting a total amount of $680,000 less under the Bush Administration than was included in the initial fiscal year 1990 Reagan budget request.

The fiscal year 1990 budget request for the nine Executive Office accounts totals $61,641,000, an increase of $2,247,000 over the fiscal year 1989 appropriated amount. For fiscal year 1990, we are requesting a total of 619 full-time permanent positions for these agencies, a decrease of eight (8) positions below the fiscal year 1989 authorized level.

At this time, I would like to mention the funding which your committee provided in fiscal year 1989 for the transition costs associated with the change in administrations. Mr. Chairman, the Executive Office of the President faced a challenging role during the past year. Many EOP agencies experienced a large turnover in staff. More specifically, the Office of Administration was called upon to provide an intensive level of support to ensure a smooth transition between the departing and incoming administrations. This included pre-election planning, coordination with the General Services Administration's Transition Office and the President-elect's team, and provision of the full range of administrative services to the incoming and outgoing Administrations. I can report, today, that with the support provided by this Committee in the form of funds for transition costs, the transition effort was a successful one. This funding greatly contributed to an efficient transfer of leadership during recent months, and I assure you that each dollar provided was prudently managed and accounted for over the course of the transition.

The increases for fiscal year 1990 result from three major factors: (1) uncontrollable cost increases related to inflation and the 4.1 percent pay raise; (2) improved automated data processing capabilities within the Executive Office of the President; and (3) an EOP-wide space resurvey to reconcile actual occupancy with GSA's database.

The Office of Administration is also providing support for two newly created agencies within the Executive Office of the President. The Office of National Drug Control Policy and the National Space Council were both established in this fiscal year.

In addition, I am pleased to report to you that during the past year, the Office of Administration coordinated a comprehensive review of the fundamental structural condition of the Official Residence of the Vice President and its long-term maintenance requirements. A documented study which incorporates the full findings of the review team is now in the final stages of completion. This study will establish a sound foundation for future budgeting and planning purposes, creating a situation where, for the first time, repairs to the Residence will be anticipated rather than reactive in nature. When the study has been finalized and an internal review has been conducted, we would be happy to provide the Committee with a full briefing. For fiscal year 1990, we are requesting an additional $120,000 for urgent needs of the Residence as identified in the early stages of the study.

Finally, during the first few months in office, the Administration has also been performing a close examination of the fiscal year 1989 resources available to assist the new President. Due in no small part to the actions of this Committee, I feel our resources are sufficient. However, it is still early in the new Administration, and internal reprogramming within the White House Office to support a modern ADP program may be necessary. We are also examining the adequacy of funding for Presidential travel. I will keep the Committee fully informed of our needs and respectfully request your continued support should any later adjustments become necessary.

I would like to take this opportunity to express my appreciation to your fine staff, especially Patty Lynch and Becky Davies, for the professionalism and courtesy that has characterized their dealings with us. At the outset of a new administration, I also want to assure you of our commitment to the maintenance of open and honest communication with your Committee on the accounts represented before you today. While we may not always agree on every topic addressed, we intend to continue the frank and responsive dialogue we have already established.

Now I would be pleased to answer your questions on these accounts.

EXECUTIVE OFFICE OF THE PRESIDENT

SUMMARY OF ACCOUNT REQUESTS

COMPENSATION OF THE PRESIDENT

The fiscal year 1990 budget request for Compensation of the President is $250,000. This includes $200,000 for the direct salary of the President as authorized by 3 U.S.C. 102. In addition, there is a $50,000 expense account for official use by the President. Any unused portion of this account reverts to the Treasury.

WHITE HOUSE OFFICE

The mission of the White House Office is to provide staff assistance and administrative support to the President of the United States.

The fiscal year 1990 budget request totals $28,560,000. This represents a reduction of $79,000 beneath the original fiscal year 1990 Reagan request. In comparison to our current fiscal year 1989 budget authority, we are requesting an increase of $610,000. The revised request will provide for 323 full-time permanent positions, no change from the level authorized in fiscal year 1989. This submission also contains some internal re-allocations requesting increased authority in the travel and equipment categories which will be funded from projected savings identified in other categories.

At this time, I would like to mention the funding which your committee provided in fiscal year 1989 for the transition costs associated with the change in administrations. This funding greatly contributed to an efficient transfer of leadership during recent months, and I assure you that each dollar of funding provided was prudently managed and accounted for over the course of the transition.

The three components of the $610,000 increase are: a decrease of $650,000 for nonrecurring transition funding; funding for improvements in the automation of our Presidential records management and personnel management areas; and unavoidable cost increases related to the pay raise, rent, and inflationary increases.

Finally, during the first few months in office, the new Administration has also been performing a close examination of the fiscal year 1989 resources available to the White House Office to assist the new President. Due in no small part to the actions of this Committee, I feel our resources are sufficient. However, it is still early in the new Administration, and internal reprogramming to support a modern ADP program as well as Presidential travel funding may be necessary. I will keep the Committee fully informed of our needs and respectfully request your continued support should any later adjustments become necessary.

OFFICE OF ADMINISTRATION

The Office of Administration (OA) was established to provide common administrative support and services to the White House and agencies of the Executive Office of the President. Despite the recent change in administrations, I am committed to preserving an institutional support structure for the EOP by retaining a dedicated workforce within the Office of Administration and reducing turnover rates.

For fiscal year 1990, we request an appropriation of $18,085,000, a $1,235,000 increase over our fiscal year 1989 budget authority and a $240,000 decrease from the original Reagan Administration request. The fiscal year 1990 request will provide for 142 full-time permanent positions and 30 reimbursable positions, the same as authorized in 1989.

OA anticipates $5,027,000 in reimbursements during fiscal year 1990. Mr. Chairman, the Office of Administration faced a challenging role during the past year. Specifically, OA was called upon to provide an intensive level of support to ensure a smooth transition between the departing and incoming administrations. This included pre-election planning, coordination with the General Services Administration's Transition Office and the President-elect's team, and provision of the full range of administrative services to the incoming and outgoing Administrations. I can report, today, that with the support provided by this Committee in the form of funds for transition costs, the transition effort was a successful one.

The fiscal year 1990 request will enable the Office of Administration to maintain our current level of support to the EOP community. In addition, funding is requested to support three initiatives: support of the newly implemented Remote Delivery Site; the transfer to OA of direct budgeting responsibility for minicomputer and communications support that is currently provided to OMB on a reimbursable basis; and funds to acquire computer data base software to assist OMB in an initiative to integrate their budget preparation systems.

Finally to maintain current service levels, funding is requested to meet uncontrollable cost increases, including partial recovery of the pay raise and other inflationary increases. The largest component of our increase in this area resulted from a joint 0A and GSA remeasurement of White House Complex space occupancy. This survey indicated that OA as well as a number of other EOP agencies were financially liable for more space than previously reflected on GSA's records.

SPECIAL ASSISTANCE TO THE PRESIDENT

The appropriation request for the Special Assistance to the President account will enable the Vice President to carry out his statutory and presidentially assigned duties to provide assistance to the Chief Executive. The fiscal year 1990 request for this account is $2,335,000. This represents a $136,000 increase over the fiscal year 1989 authority. This request will continue to provide for a staff of 24 full-time permanent positions, the same level as authorized for fiscal year 1989.

All of the $136,000 requested increase is necessary to cover uncontrollable increases in personnel and space costs. Exclusive of these two costs, this request represents a no growth budget. No changes have been proposed to the budget originally submitted by the Reagan Administration for this account.

OFFICIAL RESIDENCE OF THE VICE PRESIDENT

The Vice President's Residence is located on the grounds of the Naval Observatory and serves both as a facility for official functions and as a home for the Vice President and his family. This account funds the operation and maintenance of the Official Residence of the Vice President.

I am pleased to report to you that during the past year, the Office of Administration coordinated a comprehensive review of the fundamental structural condition of the Residence and its long-term maintenance requirements. A documented study which incorporates the full findings of the review team is now in the final stages of completion. This study will establish a sound foundation for future budgeting and planning purposes, creating a situation where, for the first time, repairs to the Residence will be anticipated rather than reactive in nature. When the study has been finalized and an internal review has been conducted, we would be happy to provide the Committee with a full briefing.

Another accomplishment which I am happy to report is the recent execution of a complete inventory of the official furnishings of the Residence. I believe it will serve as an excellent tool for the proper maintenance of government assets.

With respect to the fiscal year 1990 budget, we request the continuation of the base level of funding of $258,000. This is the same amount requested in fiscal year 1989. This request also includes additional funding in the amount of $120,000 for two urgently needed one-time undertakings identified in the previously mentioned structural review of the residence: first, an initiative that President Bush strongly supported to make appropriate modifications to the Residence so that its entrance and lavatory facilities are accessible to the handicapped; and second, repairs to the Residence necessary to correct certain moisture problems.

UNANTICIPATED NEEDS

The Unanticipated Needs account enables the President to meet unplanned and therefore unbudgeted contingencies in furtherance of the national interest, security, or defense. For fiscal year 1990, the President once again requests $1,000,000 for Unanticipated Needs.

Only the President authorizes expenditures from this account. The Director of the Office of Management and Budget first reviews all requests for allocations from the account to ensure that only unforeseen needs that cannot be met from regular appropriation accounts are financed.

In fiscal year 1988, three allocations were made from the Unanticipated Needs account. Specifically, funds were transferred to: The Presidential Task Force on Market Mechanisms, The White House Conference for a Drug-Free America, and the President's Commission on Privatization. The total amount obligated for these three transfers was $280,000.

In fiscal year 1989 one allocation has been made to the newly created National Space Council. I will be pleased to keep the Committee updated concerning any allocations made from this account.

OFFICE OF POLICY DEVELOPMENT

The Office of Policy Development (OPD) is responsible for advising and assisting the President with all domestic and economic policy issues. The budget of $3,079,000 requested for fiscal year 1990 is for the salaries and expenses necessary to meet these responsibilities. OPD's personnel request for fiscal year 1990 is 42 permanent staff positions, which is the same number as authorized for the current year. In general, the staff positions of the Office of Policy Development are used to perform the formulation, evaluation and coordination functions necessary to guide economic and domestic policy and to assist the two cabinet councils.

The appropriation for OPD also supports other functions within the Executive Office of the President, including the President's Economic Policy Advisory Board and the President's Low Income Opportunity Board.

The budget request for fiscal year 1990 is an increase of $79,000 above the fiscal year 1989 budget estimate of $3,000,000. Of the increase, over half ($45,000) reflects an increase in the GSA charges for office space and related costs for occupants of the Old Executive Office Building. The remaining portion of the increase ($34,000) is primarily the net effect of changes in personnel costs.

COUNCIL OF ECONOMIC ADVISERS

The Council of Economic Advisers requests an appropriation of $2,906,000 for fiscal 1990. This request represents an increase of $119,000 over the current level of $2,787,000. The increase of $119,000 consists of $22,000 for personnel and benefits, $36,000 for rental payments to GSA, and $61,000 for essential supplies and equipment purchases that were delayed in fiscal 1989 because of the absorption of the pay raise. CEA is requesting no increase in staff over fiscal year 1989. The size of the staff is about the same as when the Council was created in 1946, which is impressive in light of the overall increase in both the size of government and the complexity of economic problems since that time. In addition, CEA is undertaking a special initiative concerning the quality of our Federal economic statistics. CEA has begun the process of focussing attention on this issue at the highest levels within the Administration.

The appropriation requested for fiscal 1990 provides a realistic level of support for the Council; it also reflects CEA's commitment to producing the best possible work in the most effective manner.

NATIONAL SECURITY COUNCIL

To meet the targets within President Bush's revised 1990 budget, the National Security Council (NSC) has reduced its original fiscal year 1990 appropriation request from $5,409,000 to $5,048,000. This budgetary reduction will be entirely absorbed through staff reductions, resulting in a decrease from fiscal year 1989 of $412,000 in Personnel Compensation and Benefits.

In addition, NSC is proposing the following changes in other elements of the budget between fiscal year 1989 and fiscal year 1990: an increase of $50,000 in Travel of Personnel reflects an expected increase in Presidential travel requirements; while no additional space is being requested, the NSC will experience a $49,000 increase in the cost of rental payments to the General Services Administration (GSA); an increase of $244,000 in Other Services and Equipment represents the costs for preparing a vaulted storage area and work space for our Information Policy directorate, and providing maintenance and repair of NSC equipment such as copying and telex machines, GSA reimbursable work authorizations, scheduled renovation projects and training.

Estimated reimbursements for fiscal year 1990 are $38,000. The appropriation also provides $391,000 for the President's Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board.

BIOGRAPHY OF PAUL W. BATEMAN

Paul W. Bateman was selected by President Bush to be Deputy Assistant to the President for Management and Director of the Office of Administration. In that capacity, he manages the day-to-day administrative operations of the White House and the Executive Office of the President. He reports directly to the Assistant to the President for Management and Administration, J. Bonnie Newman.

Previously, Mr. Bateman was Senior Vice President of the New England Council, Inc. in Boston. Mr. Bateman went to the Council from the U.S. Treasury where he served as the Deputy Treasurer of the United States. He was appointed to that position by Treasury Secretary James A. Baker III in 1985. At the Treasury, Mr. Bateman had management oversight of the Bureau of Engraving and Printing, the U.S. Mint, and the U.S. Savings Bonds Division.

Prior to his service at the Treasury, Mr. Bateman was Deputy Assistant Secretary of Commerce for Economic Development. Appointed to that position by the Secretary of Commerce, the late Malcolm Baldridge, Mr. Bateman served at the U.S. Department of Commerce from 1982 until 1985.

From 1981 to 1982, Mr. Bateman worked on the White House staff. He joined the White House after working for the Office of the President-Elect during the 1980–81 Presidential transition.

Prior to joining the Reagan Administration, Mr. Bateman was an assistant to former President Richard Nixon in San Clemente, California and later in New York City.

A native Californian, Mr. Bateman was born February 28, 1957, and he received a Bachelor of Arts degree from Whittier College in 1979. He resides in the Commonwealth of Virginia.

BIOGRAPHY OF HECTOR F. IRASTORZA, JR.

Hector F. Irastorza, Jr. was appointed by the President on January 23, 1989, to serve as Special Assistant to the President and Deputy Director of the Office of Administration. The Office of Administration provides a wide range of administrative support to the Executive Office of the President.

Since March 1987, Mr. Irastorza served on Vice President George Bush's staff as Deputy Assistant to the Vice President and Director of the Office of Scheduling. Previously, from 1985 to 1987, he served the Vice President as Director and Coordinator of Special Projects. From 1981 to 1985, he was Executive Assistant to the Assistant Secretary for Fair Housing at the United States Department of Housing and Urban Development in Washington, D.C.

Prior to this, Mr. Irastorza served on the 1980 Bush for President Campaign and later on the Reagan-Bush Presidential Campaign. From 1976 to 1980, he was Vice President of Giralda Inc., a Florida-based family pharmacy business.

From 1973 to 1974, Mr. Irastorza was Assistant to the Administrator for Operations with Chromalloy Electronics, a Florida-based company manufacturing sophisticated military and civilian communication devices.

Mr. Irastorza attended Dade Community College in Florida. He was born on February 10, 1955 and is a native of Matanzas, Cuba. Mr. Irastorza is married to the former Judith L. Ziegler of Lewistown, Pennsylvania. He and his wife currently reside in Arlington, Virginia.

WHITE HOUSE OFFICE INCREASE

Senator DECONCINI. Thank you, Mr. Bateman. We noticed that, for the White House Office, the 1990 budget is $28.56 million or $610,000 over the 1989 enacted level. However, because the 1990 budget contains one-time funding of $650,000 for special transition expenses, which nonrecur in 1990, your budget has really increased by $1.3 million over the 1989 base level of $27.3 million.

You state that President Bush has reduced his budget by $79,000 from the original Reagan request; if that is accurate, and I believe it is, we congratulate the administration. But your budget is still showing an increase of $964,000 to maintain current services; and $375,000 for program increases.

So while your budget should be decreasing, it is actually increasing. In these times of tight budget constraints, and just after my complimenting you for reducing it, can you explain and justify the increase?

Mr. **Bateman**. We are seeking, in the White House Office, a 2.2-percent increase over the 1989 level, which is a $610,000 net increase. The major costs here are related to space costs, an amount to absorb one-quarter of the 4.1-percent pay raise, and other inflationary costs. We believe it is a modest increase that, while we do not like to ask for an increase, we feel is justified.

Senator **DeConcini**. What happens if you do not get it? What are you going to be short?

Mr. **Bateman**. We will have to defer costs that have been deferred in the past, such as the acquiring of modern ADP equipment.

Senator **DeConcini**. Computers?

Mr. **Bateman**. Yes.

Senator **DeConcini**. Let me ask you about that particular area. What else would you have to defer?

Mr. **Bateman**. We would probably take another reduction in the salaries and expenses category.

WHITE HOUSE OFFICE COMPUTER SYSTEMS

Senator **DeConcini**. You asked $215,000 for the replacement of a minicomputer to track personal appointments, resumes, and correspondence; and $160,000 for an optical disk system to photograph White House records. What do you use now? Is it all done by hand?

Mr. **Bateman**. The optical disk system is being installed in phases; we already have the initial phase in place. But, yes, in terms of records management, much of it was done by hand. The records came in; they were filed manually. And when you needed to retrieve them, you retrieved them manually.

Senator **DeConcini**. What are most of the records? Resumes?

Mr. **Bateman**. We are talking about two systems here. The Records Management Office, which maintains all the presidential records, everything in paper.

Senator **DeConcini**. I see; that is not computerized now?

Mr. **Bateman**. To a limited extent; and we are now installing this optical disk system.

Senator **DeConcini**. That is what that would do? The President's own personal records?

Mr. **Bateman**. Yes, sir; it will bring us into the next century, I think, adequately. In terms of the presidential personnel computer system we are referring to, we presently now have some 40,000 resumes in there, for approximately 3,000 jobs. It is a horrendous task; and we need to automate it even further than it is now.

Senator **DeConcini**. And what do you do now? Is that on a computer at all?

Mr. **Bateman**. It is computerized. We have an aging system. It is some 5 or 6 years old. It is already outdated; and it is basically a series of patchworks.

Senator **DeConcini**. There is not any other computer system there?

Mr. **Bateman**. We have several computer systems within the Executive Office of the President.

Senator **DeConcini**. You cannot use those?

Mr. **Bateman**. This system is actually part of a larger network.

Senator **DeConcini**. Oh, this would go into that system, to add on or give you the facilities you need?

Mr. **Bateman**. To integrate it fully.

Senator **DeConcini**. I see. We note that you plan to rent this equipment?

Mr. **Bateman**. It would be a lease purchase agreement.

WHITE HOUSE OFFICE TRAVEL

Senator **DeConcini**. Turning to travel, you plan to increase travel by $75,000 to a level of $575,000. Your justification states that this increase is necessary to keep pace with inflation and provide necessary flexibility, et cetera.

While I understand this, what travel—$500,000—what travel is involved in your office?

Mr. **Bateman**. That is for staff travel of the White House Office.

Senator **DeConcini**. Where do they go?

Mr. **Bateman**. They accompany the President.

Senator **DeConcini**. They go with the President?

Mr. **Bateman**. Yes, sir.

Senator **DeConcini**. And that is not paid by the Secret Service. Do they not fly with the President or travel with him on Air Force One, so there is no expense? It is just out of pocket expenses or what is it?

Mr. **Bateman**. The Secret Service pays for its own personnel's travel. This is for the travel of White House staff who accompany the President in advance of a trip, as well as on the actual trip. It would pay for commercial transportation as well as other travel and subsistence expenses such as car rentals, hotels, and the like.

That figure of $500,000 has been static for the last 4 fiscal years; and we believe this is a modest adjustment, of $75,000.

Senator **DeConcini**. I do not mind the increase. What troubles me is, I wonder if they have been getting it someplace else. It is $500,000, if their bills are being paid by the Secret Service or someplace else. So what do you do? Every year, you just get right to $500,000, and you make it?

Mr. **Bateman**. Just about.

Senator **DeConcini**. And all of a sudden, you want a 15-percent increase, but you did not ask for it for the last 4 years. It is kind of hard to understand how they got along and how, all of a sudden, you cannot.

Mr. **Bateman**. Well, we had a change in administrations.

Senator **DeConcini**. They must have done something.

Mr. **Bateman**. Well, we feel at the start of a new administration, we want to be prepared to accommodate the new President. He is an active President. We want to make sure that if he wants to travel, he can have the people there who are necessary to be there.

Senator **DeConcini**. Cannot argue with that. Your transitional expenses, the $650,000 additional fiscal year 1989 funds for transitions, how much have you expended to date, and will there be an obligated balance?

FISCAL YEAR 1989 TRANSITION COSTS

Mr. **Bateman**. A total of about $1.2 million was appropriated in all, for all the EOP, and that would almost all be obligated by the end of this fiscal year. The majority of that money went for personnel costs, lump sum annual leave.

Senator **DeConcini**. And you have $600,000 or $650,000?

Mr. **Bateman**. In the White House Office, $650,000.

Senator **DeConcini**. In the White House Office, yes; and how much of that have you spent?

Mr. **Rasmussen**. About $742,000, sir.

Senator **DeConcini**. You spent over?

Mr. **Rasmussen**. Yes, sir.

Senator **DeConcini**. You took that out of the other funds?

Mr. **Rasmussen**. Out of the basic salaries and expenses appropriation, sir.

Senator **DeConcini**. How did you do that, just transferring the funds?

Mr. **Rasmussen**. As Mr. Bateman pointed out, sir, it was chiefly driven by the lump sum leave payments which, having accumulated over an 8-year administration, was proportionately high.

Senator **DeConcini**. So you anticipate spending all of that?

Mr. **Rasmussen**. Yes, sir.

Senator **DeConcini**. Let me ask this question. Is your office responsible for reviewing the budget for OMB?

Mr. **Bateman**. No.

Senator **DeConcini**. You do not do that?

Mr. **Bateman**. No, sir.

Senator **DeConcini**. You do not have any hints on who does that, do you?

Mr. **Bateman**. I thought you did.

Senator **DeConcini**. Well, we appropriate the money for them. But I am trying to find out who in the administration approves OMB. Maybe they approve themselves. I will ask the Director when he gets here.

VICE PRESIDENT'S RESIDENCE

We notice there is a request here for the Vice President's residence of $378,000, an amount which is $120,000, or approximately 50 percent, over the 1989 enacted level. I understand this is for the residence's accessibility to the handicapped. Is that what it is all for?

Mr. **Bateman**. There is a $120,000 increase built in there for special one-time changes to the residence; $115,000 is for handicapped entrances and to modify some of the lavatories to accommodate those who are handicapped.

Senator **DeConcini**. I noticed the Vice President also is going to make some additional alterations and remodelings; those are being paid with private funds?

Mr. **Bateman**. It is the Quayle's intent to use private funds.

Senator **DeConcini**. Private funds? Is that because there was a rejection by OMB or the White House of the use of public funds, or was that Vice President Quayle's own decision?

Mr. **Bateman**. I think that, actually, the Quayles are continuing the practice that the Bush's used.

Senator **DeConcini**. Is that what the Bush's did?

Mr. **Bateman**. Yes; they raised some $200,000 in the first year of their occupancy.

Senator **DeConcini**. Do you know of any plans to transfer the residence of the Vice President to the Executive Office of the President?

Mr. **Bateman**. I am sorry. The Executive residence? The President's home?

Senator **DeConcini**. No; the Vice President's.

Mr. **Bateman**. The Vice President's home? I have not heard that. It is technically under the authority of the Secretary of the Navy, and is designated as the temporary Official Residence of the Vice President.

Senator **DeConcini**. And you do not have further information about transferring that?

Mr. **Bateman**. I have not heard about a transfer.

EXECUTIVE OFFICE OF THE PRESIDENT DRUG TESTING

Senator **DeConcini**. Can you tell us what the drug testing policy is for each of the agencies of the Executive Office of the President, and which policies have been implemented so far?

Mr. **Bateman**. I can give you a broad overview; and if you would like, later provide for the record a more detailed breakdown.

Senator **DeConcini**. That would be fine.

Mr. **Bateman**. We have approximately 1,700 employees and detailees in the Executive Office of the President; and of those, about 80 percent are eligible to be tested, approximately 1,500. And it is our intention to test approximately 12 percent each year.

Senator **DeConcini**. Twelve percent each year, in random testing?

Mr. **Bateman**. Yes; but that is a subject now before the courts; and we have been halted.

Senator **DeConcini**. Oh, you have been halted? Under an order?

Mr. **Bateman**. Yes; employees of three agencies sought and received an injunction; and oral arguments are now scheduled for the 14th of this month.

Senator **DeConcini**. The reason I asked that question about OMB a few minutes ago is, do they review your budget?

Mr. **Bateman**. Yes, sir.

Senator **DeConcini**. You submit your budget there?

Mr. **Bateman**. Yes.

Senator **DeConcini**. And did they reduce your budget request?

Mr. **Bateman**. No programmatic changes were made, although we, and other agencies, were required to absorb 75 percent of the pay raise.

Senator **DeConcini**. They gave you what you wanted?

Mr. **Bateman**. Yes; after we made our submission to them.

Senator **DeConcini**. You sent it to them, and they accepted it? They did not cut it?

Mr. **Bateman**. They did not.

Senator **DeConcini**. That is what I thought. And that is why I asked. I wondered whether or not you approved theirs.

Mr. **Bateman**. No; I do not.

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. Thank you, gentlemen. We will submit the balance of our questions. Maybe Senator Domenici has some questions for you.

Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

OFFICE OF ADMINISTRATION

DRUG TESTING

QUESTION: A recent article in the Washington Post revealed that employees of the Executive Office of the President have filed suit against President Bush because your Drug Testing plans call for 1520 of the 1850 employees to be tested. Can you tell us about the 1520 employees who have been identified for random testing -- do they all hold "sensitive" positions? What are their grade levels? How was the decision made to test this number of employees?

ANSWER: The drug testing policies and procedures for all EOP agencies are set forth in the EOP Drug-Free Workplace Plan, which was announced to all EOP staff on July 8, 1988. The Plan provides for random testing of employees in sensitive positions, pre-employment testing of applicants being hired into these testing designated positions, education and training programs and an Employee Assistance Program. The head of each EOP agency has identified those sensitive positions that will be subject to random drug testing. Sensitive positions were identified based on criteria such as access to classified and/or sensitive information, access to the White House Complex, and positions requiring the highest degree of public trust. The figures for percent of employees in an agency to be tested range from approximately 40% of the positions in OMB to 100% of the positions in other EOP agencies. These sensitive positions to be tested range in grade levels from motor vehicle operators to Assistants to the President. In total, approximately 1,500 employees throughout the EOP are subject to random testing. We plan to test 12% of these employees on an annual basis. The Office of Administration is coordinating implementation of the EOP drug program.

MAX 2000

QUESTION: Your budget request contains an increase of $250,000 for the design of a state-of-the-art budget preparation computer system, known as "MAX 2000". These costs will be shared by OMB. Can you tell me how the Office of Administration's share of the design costs for this system were calculated? What is the total estimated cost for this system (please break costs out for OA and OMB)? And how long will it take to bring this system on line?

ANSWER: The $250,000 in the OA request for FY 1990 represents the cost of acquiring data base software and initial computer hardware which, while required for the MAX 2000 project, will be shared among all agencies in the EOP. It is appropriate to provide these general purpose items as common facilities under the OA budget. The Office of Administration's share of the MAX 2000 costs cover only provision of, or increased capacity for, common facilities which are shared by EOP agencies.

OMB's share for FY 1990 will serve to reimburse OA for specialized systems development work to help integrate OMB's two major budget preparation systems. We have been informed that OMB's FY 1990 request contains $500,000 for this purpose.

In discussions with OMB, the total cost of the system is estimated to be between seven and nine million dollars, spread over approximately three to four years. The cost will be shared almost equally between the Office of Administration (three to four million dollars for acquisition and support of hardware) and OMB (three to five million dollars for systems development).

Design should be completed and construction begun in fiscal year 1990. Operation should begin in fiscal year 1991 with first productive use of the system for the preparation of the President's fiscal year 1992 budget.

DIRECT SUPPORT OF OMB

QUESTION: The computer services provided to OMB from the Office of Administration, which were previously reimbursable services, are now being proposed as direct program costs under the Office of Administration. First, how do the FY 90 direct costs compare to the reimbursable charges for these services from OMB? Are there any additional costs associated with the direct funding approach? If so, please explain. Are there any savings due to the direct approach? If so, please identify what savings will result.

ANSWER: In FY 1989, as in previous years, the Office of Management and Budget (OMB) reimburses the Office of Administration (OA) for two specialized computer services that OA provides to OMB. These services are: 1.) minicomputer support of OMB's DEC wordprocessing equipment, and 2.) equipment and software support for the on-line access each agency and Department of the Federal government must have to OMB's budget preparation system. By providing direct funding in OA's FY 1990 budget for these two activities, interagency agreements, and associated administrative effort, can be eliminated. The $400,000 included in OA's FY 1990 request represents a $20,000 reduction from the $420,000 billed to OMB on the FY 1989

REMOTE DELIVERY SITE

QUESTION: The other significant program increase in your budget is $87,000 for activities associated with the new Remote Delivery Site in Southeast Washington. Can you give me an update on this new system -- how is it working and have any security threats to the White House been thwarted so far throughout the use of this new facility? Your budget documents state that the additional $87,000 is necessary to cover increased lease of vehicles, new space requirements, and maintenance of equipment. Can you provide the committee with a break-out of each category by amount?

ANSWER: [Response Provided Under Separate Cover]

SPECIAL ASSISTANCE TO THE PRESIDENT

QUESTION: The FY 90 budget for the Office of the Vice President is $2.335 million, or an increase of $136,000 over the FY 89 enacted level. Your justification indicates that this increase is necessary to maintain current services and over the increased cost of rental payments to GSA due to the updated survey. One thing in the object classes of this account that seems a little odd is that with the exception of personnel compensation, personnel benefits and rental payments to GSA, all other classes such as printing, communications and utilities, equipment, etc., are proposed to be funded at the '89 levels. I congratulate the Vice President if he had a hand in putting the '90 budget together. It certainly is lean. However, it raises serious questions about all of the other EOP accounts. How come inflation doesn't affect the Vice President's Office, but it does every other Executive Office?

ANSWER: The Vice President's Executive account is relatively small, consisting of only 24 people. It serves to assist the Vice President in carrying out his duties as assigned to him by the President. Its costs are comprised mainly of Personnel Compensation expenses. Inflation certainly does affect the Vice President's Office, but the non-personnel side of their budget remains relatively fixed, with the exception of rental payments to GSA where an increase is requested for FY 1990.

VICE-PRESIDENT'S RESIDENCE

LONG-RANGE MAINTENANCE PLAN

QUESTION: The FY 90 budget request for the Vice President's Residence totals $378,000, an amount which is $120,000 or approximately 50% over the FY 89 enacted level of funding for the Residence. Your justification explains that the $120,000 will be used to make the Residence accessible to the handicapped, and this is the first project to be undertaken as a result of a task force study on the Residence. Please provide a copy of the task force report for the record. Secondly, can you tell us about the task force findings, what work is needed and the short and long-term costs of the recommended modifications to the Residence? Will the next phase of projects be included in the FY 91 budget request? Please explain.

ANSWER: The main objectives of the study of the Vice President's Residence were to perform an architectural-engineering analysis of the existing building conditions, assess future needs, and project the associated costs for budgetary planning purposes.

The effort consisted of physical inspection of the Residence itself, including major systems such as the roofs, heating, air conditioning, electrical, life safety, and structural. These inspections occurred over a three month period starting in September 1988 and concluding in November 1988.

The architectural-engineering team felt that the building was generally in good condition. However, they felt that additional efforts are needed to correct the deteriorated conditions of some original building systems. The findings of the team were categorized according to their priority into four categories 1) urgent/safety related ($236,000), 2) important ($1,200,000), 3) routine ($78,000), 4) desirable ($14,000). The total estimate of $1,528,000 was formulated by the General Services Administration. Of this total, funding in the amount of $120,000 is requested in the FY 1990 budget.

In addition to developing handicap accessibility, the study recommends extensive restorative work to replace cracked plaster throughout the home, correct moisture infiltration conditions, waterproof and repair the exterior of the foundation, upgrade air handling, electrical and fire protection systems, replace sewer lines, and renovate the garage and office area of the Residence.

The study document is currently under review by the Vice President's Office and the Office of Administration. Generally, it is fair to expect that the next phase of projects will be requested in the FY 1991 budget. However, decisions on the timing and extent to which study recommendations will be adopted have not been finalized. Also, all of the cost of modifications identified in the study will not be the responsibility of the Residence appropriation. Some areas identified for repairs/modification fall under the jurisdiction of other agencies such as the Navy, Secret Service, or local utility companies.

[Vice President's Residence Study Provided Under Separate Cover]

PROPOSED RENOVATIONS

QUESTION: I know that the Vice President and his family plan to undertake other renovation work on the Residence this year. I understand that this work is being paid for by contributed funds. Can you tell us about the work that will be done to accommodate Vice President Quayle and his family and what the estimated costs will be? Does the EOP have the authority to pay for the type of work presently being planned by the Vice President and Mrs. Quayle?

ANSWER: The proposed renovations to the Vice President's Residence are for the purpose of making the Residence more accommodating for a family with several young children, such as is the case with the Quayle's family. The renovations would be for the purpose of refurbishing the third floor family living quarter, specifically to reconfigure the space to provide for four bedrooms, convenient bathrooms, a study, laundry room, and family room; renovating the master bathroom on the second floor; and installing a swimming pool. No change in the exterior appearance of the Residence is contemplated and every effort will be made to ensure that interior refurbishments are in keeping with the historical character of the Residence. The project is intended to make long-term, permanent improvements that will serve not only the current occupants, but future occupants for many years to come.

The cost of renovation is difficult to estimate, due to the age and condition of the Residence, but may approximate $350,000.

The Quayles intend to carry out the renovations to the Residence through the use of donated funds from private individuals. The authority to receive gifts of money or property for the furnishing of or making improvements in or about the Residence is set forth in Public Law 93-346 as amended by Public Law 93-552.

The Official Residence of the Vice President's account would allow for expenditures for these renovations to take place from appropriated funds. However, no funds were included in the FY 1989 appropriation to accommodate the proposed renovations. The FY 1989 budget consists of only the base amount of $258,000, which allows for the routine maintenance and operations of the Residence, including a Representation account and compensation for one employee.

QUESTION: I read the recent article in the Post concerning an alleged architect who was retained by the Quayle's to renovate the Vice-President's home. Can you explain to the committee how this individual, who posed as a certified architect, got so far as to be retained by Mrs. Quayle and gained access to the blueprints of the home before it was discovered that he was a fraud? Were any funds committed to the architect? How much time was lost on the renovation effort because of this situation? What is the current status of the Vice President's Residence? Is it still owned by the Department of the Navy?

ANSWER: At no time was this individual retained by Mrs. Quayle. Nor was he given any special access to blueprints. At the time this voluntary offer to draft (without charge) a sketch of proposed renovations to the third floor of the Residence was accepted, we were unaware that his claims to be a certified architect may have been false. Mr. Hughes' access to the Residence and Old Executive office Building was provided in accordance with all applicable security precautions utilized by the Secret Service in similar circumstances. Thus, his access to the blueprints and Residence was limited by the Secret Service's deleting all classified portions of the blueprints and allowing him only escorted access to the building. When we were given reason to question his qualifications, Mrs. Quayle immediately notified the Secret Service and severed all further association with him.

No funds, public or private, were committed to this individual, who volunteered his services gratis.

No time was lost in initiating the official procurement process because the entire episode took place before the Vice President took office.

The current status of the Vice President's Residence is that it is the temporary official residence for the Vice President. The Residence is, by statute, owned, maintained, and operated by the Department of the Navy. However, the Secretary of the Navy has delegated the authority to administer the funds appropriated for the car, maintenance, and operation of the Residence to the Office of Administration, Executive Office of the President.

UNANTICIPATED NEEDS

QUESTION: The FY 90 budget request for the President's "Unanticipated Needs" account is $1 million, the same amount as appropriated in fiscal year 1989. Your budget justification shows an obligated balance of $42,000 at the start of FY 89 and FY 90. Can you explain this $42,000 and the purpose for which it was obligated?

ANSWER: When fiscal year 1988 closed, there was approximately $42,000 obligated from allocations made from the Unanticipated Needs account which had not been expended. Therefore, the amount of $42,000 was carried over to the beginning of FY 1989 as an obligated balance, start of year. Purely for computational purposes, it is assumed that a similar amount will remain unexpended at the end of FY 1989 to be paid out in FY 1990.

OFFICE OF POLICY DEVELOPMENT

QUESTION: The FY 90 budget request for the Office of Policy Development is $79,000 over the FY 89 enacted level bringing your FY 90 total request to a level of $3.079 million. The increases are due to increased costs for Personnel Benefits and Rental Payments to GSA. I notice, however, that you intend to reduce reimbursable details by $14,000. How many detailees do you presently have assigned to the White House? How many are reimbursable vs. non-reimbursable detailees? Do you plan to offset the reimbursable reduction in FY 90 by seeking non-reimbursable detailees? Please explain.

ANSWER: There have been seven (7) detailees to the Office of Policy Development during the course of FY 1989, three (3) of which were detailed on a reimbursable basis.

No, we do not plan to change our policy with regard to reimbursable details. Due to the nature of policy advice to the President, it often is essential to consult an expert who is knowledgeable on the current status of an issue. These issues require timely advice which is more appropriately obtained from sources already within government and available to OPD by borrowing the right individual. Therefore, the short-term loan of an expert by an agency involved in the issue is in the best interests of the loaning agency and the most effective way for OPD to obtain such expert advice.

Under the applicable law, OPD reimburses the detailing agency for the pay of each detailee who is performing services which have been or would otherwise be performed by an employee of OPD. This reimbursement is for any period during the fiscal year after 180 calendar days from when the person is detailed that year.

COUNCIL OF ECONOMIC ADVISERS

QUESTION: Your FY 90 budget requests an additional $119,000 over the FY 89 enacted level of funding to maintaining current levels and acquire equipment which is being deferred in FY 89 due to the pay raise absorption. Can you tell me what equipment you plan to replace in FY 90 at a cost of $56,000? What would be the impact if these funds were not provided in FY 90 but deferred to future years? What was the impact of the deferral on the equipment acquisition in FY 89?

ANSWER: The Council of Economic Advisers will be replacing PC's and stand-alone word processors. As noted above, many of these machines will not support basic computer software. Some of the stand-alone word processors are so old they are difficult and expensive to repair because parts are no longer available. Because of publishing requirements for the Economic Report and other Council work, CEA will require one common word processing system, especially to interface with GPO. The existing machines will not support the new word processing system, and therefore, replacement of this equipment cannot be postponed.

CEA's capabilities to perform timely analyses of current issues as well as to prepare such public information and congressional information as Economic Indicators has been greatly diminished. Many of the existing machines are incapable of supporting some of the software CEA now uses.

NATIONAL SECURITY COUNCIL

QUESTION: Funding for the National Security council is being reduced by $53,000 and 8 positions from the FY 89 enacted level. You are, however, proposing increases of $50,000 for Travel and $244,000 in Other Services for maintenance of equipment and preparation of a vaulted storage area and work space for the Information Policy Directorate. Can you explain what impact the reduction of 8 positions will have on the NSC and where the positions will be taken from?

ANSWER: Since our initial budget submission, the new National Security Advisor has determined that he will be reducing the size of the National Security Council's staff. While the total result of this reduction has not yet been achieved, we are projecting the reduction of one GS-8, two GS-16's, one GS-15, one GS-10, and three GS-9's. This across the board reduction in the NSC staff will result in an overall decrease of $412,000 in Personnel Compensation and Benefits.

QUESTION: Can you tell me more about this vaulted storage area and work space -- why is this project necessary?

ANSWER: The requested funds are to renovate the storage and work area for the Information Policy Directorate. This directorate is responsible for handling our Freedom of Information Act (FOIA) requests and requests for the release of information under executive order. The purpose of the renovation exists regardless of the number of personnel actually assigned to FOIA. Providing a Sensitive compartmented Information Facility (SCIF)/vaulted area for FOIA would then allow them to have open storage within the directorate. FOIA has a real need for open storage which would allow the staff to more easily perform work with on-going cases, without having to take time to lock everything up each time their attention is diverted to more immediate needs. The proposed renovation would also provide much needed additional office space, to enable the staff to spread the files out in order to better process their cases. This SCIF/vaulted space would then become FOIA's permanent location, much in the same way the NSC Secretariat is now permanently located in office space which has been renovated to meet the directorate's individual and specific needs.

OFFICE OF NATIONAL DRUG CONTROL POLICY

QUESTION: Does the Office of Administration provide administrative support to the newly created Office of National Drug Control Policy? If so, what are you doing to help the Drug Czar's office acquire space? It is my understanding that this office is being housed at the Transition Office near the Washington Hilton. This space is not secure, and as a matter of fact, there are at least five foreign national offices, which in one way or another, are related to drug supply, in the same building. Is the Drug Policy Office a priority or not? What about the space that was occupied by the Drug Policy Board -- can this space be made available to the Drug Czar, and is it adequate to meet their needs?

ANSWER: As a new agency within the Executive Office of the President, the Office of National Drug Control Policy (ONDCP) is clearly a priority. The Office of Administration provides administrative support, on a reimbursable basis for fiscal years 1989 and 1990, to ONDCP. As is the case with all other EOP agencies, OA's support includes provision of the full range of common financial, personnel, procurement, and some computer support services. ONDCP's computer will be located in the EOP Data Center and operated by OA personnel. Mail, messenger, and labor services are also provided by OA.

During the early stages of ONDCP's development, specialized support was also provided to advise ONDCP on the preparation of their Congressional budget submission; assist in defining their acquisition strategy for a minicomputer; advise on the development of their in-house computer configuration; assist with expediting priority security clearances; and, assisting with the acquisition of telephone and communications services.

With respect to the acquisition of space, the Office of Administration worked with the Real Estate Division of the General Services Administration to identify available office space for an organization the size of ONDCP. Since the White House Complex currently has an occupancy rate of 99%, there was not sufficient space in the Complex to house the budgeted staff and detailees numbering approximately 125 individuals. Some space in the Old Executive Office Building was allocated to Director Bennett to facilitate accessibility to the White House and to solve ONDCP's immediate need for a secure document processing area.

Based upon OA's request to GSA, six (6) office locations within twelve blocks of the Complex were identified for possible occupancy by ONDCP. The office space currently occupied by ONDCP was one of the six identified. That facility, at the time of the survey, was already under GSA management, the size was adequate to ONDCP's needs, and was the only space that could be occupied immediately. ONDCP made the decision to select the site for occupancy.

The National Drug Enforcement Policy Board, referred to in the question, was not housed within the White House Complex. It is our understanding that they were utilizing Department of Justice facilities and that the staff housed in such facilities was significantly smaller than ONDCP's estimated staffing level.

With respect to the security of EOP facilities, the Office of Administration does not provide the financial or technical resources that may be individually required to secure agency space. Regarding the issue of ONDCP's office space, in particular, it is our understanding that ONDCP has had security surveys performed and is arranging for the appropriate facility protective measures.

There continues to be a dialogue between the Office of Administration and ONDCP to arrive at an acceptable and feasible solution.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

GENERAL QUESTIONS

TRANSITION FUNDS

QUESTION 1.) In Fiscal Year 1989, $1.18 million was provided, as requested, for costs related to the Presidential Transition - $650,000 for the White House Office, $280,000 for the Executive Residence, and $250,000 for the Office of the Administration.

At the time the request was made, a 75% changeover in personnel staff at the White House Office, requiring $450,000 in personnel staff compensation costs was assumed. Is this proving to be an accurate assumption?

Do you expect the $1.18 million provided for Transition Expenses to be obligated for these purposes by the end of Fiscal Year 1989? How much is being spent for personnel compensation costs and how much is being spent on non-personnel expenses related to the transition?

ANSWER: The $450,000 in transition costs budgeted for the White House Office for lump sum leave payments was somewhat conservative. To date, $470,000 has been expended for lump sum leave at the White House Office with the potential for further expenditures still outstanding.

With regard to the total transition funding provided to the Executive Office of the President, the White House Office has expended $742,357, having to absorb nearly $100,000 from its regular budget. To date, the Office of Administration has expended $198,682 of the $250,000 appropriated. The Office of Administration does not perform accounting services for the Executive Residence, but has referred this question to them for direct response to the subcommittee.

Of the total $941,000 in EOP Transition funds that have been expended to date, roughly $522,000, or 55 percent, has been used for terminal leave or overtime, while non-personnel expenses have thus far totaled $419,000, or 45 percent.

DETAILEES

QUESTION 2.) What assumptions are contained in the fiscal year 1990 request for each EOP office regarding the number of other federal agency personnel which will be detailed or assigned to that office on either a fully-reimbursable or non-reimbursable basis and the total amount of funding included to reimburse these

other agencies for the use of their personnel. In addition, please provide, by EOP office, for each of fiscal years 1988 and 1989, the number of reimbursable and non-reimbursable detailees used by each EOP office and the total amount of funding required for detailee reimbursements.

ANSWER: (SEE FOLLOWING RESPONSES FOR EACH AGENCY)

Council of Economic Advisers

The Council is assuming they will have two detailees from other Federal agencies. This policy of detailee use is consistent with fiscal 1988 and 1989. They will all be reimbursable.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $135,000

Total number of Federal employees detailed to this agency in:
FY 1988: 3 FY 1989: 3

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 3 FY 1989: 3

Total amount of reimbursement required for the use of detailees in:
FY 1988: $135,372 FY 1989: $131,382

Council on Environmental Quality

In FY 1988, CEQ/Office of Environmental Quality had the assistance, for part of the year, of a Foreign Service officer from the Department of State. This individual assisted the Council on global environmental issues. The Council does not anticipate the utilization of other non-reimbursable personnel from other agencies in FY 1989 and 1990.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: None

Total number of Federal employees detailed to this agency in:
FY 1988: 1 FY 1989: 1

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 0 FY 1989: 1

Total amount of reimbursement required for the use of detailees in:
FY 1988: $0 FY 1989: $9,600

National Security Council

With the staff reductions being implemented by the new National Security Advisor, it is expected that the number of detailees used by the NSC could be reduced by approximately 15% during FY 1989. At this time, there is no indication that the number of detailees on the NSC will change significantly in FY 1990.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: None

Total number of Federal employees detailed to this agency in:
FY 1988: 84 FY 1989: 65

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 0 FY 1989: 0

Total amount of reimbursement required for the use of detailees in:
FY 1988: $0 FY 1989: $0

National Critical Materials Council

The National Critical Materials Council does not have a FY 1990 budget request.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: None

Total number of Federal employees currently detailed to this agency in:
FY 1988: 3 FY 1989: 2

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 3 FY 1989: 2

Total amount of reimbursement required or planned for the use of detailees in:
FY 1988: $185,000 FY 1989: $185,000

Office of Administration

Traditionally, the Office of Administration does not require the use of detailees to accomplish its mission of providing common administrative support to the agencies of the Executive Office of the President. However, in FY 1989, OA experienced a dramatic, short-term increase in workload due to the change of Administrations. For this reason, several detailees were employed on a temporary basis.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: None

Total number of Federal employees detailed to this agency in:
FY 1988: 0 FY 1989: 13

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 0 FY 1989: 1

Total amount of reimbursement required for the use of detailees in:
FY 1988: $0 FY 1989: $7,000

Office of Federal Procurement Policy

In FY 1990, OFPP expects to maintain the same level of other Federal agency support personnel as in FY 1989.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $25,000

Total number of Federal employees detailed to this agency in:
FY 1988: 2 FY 1989: 2

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 1 FY 1989: 1

Total amount of reimbursement required for the use of detailees in:
FY 1988: $42,135 FY 1989: $42,135

Office of Management and Budget

In FY 1990, OMB expects to maintain the same level of other Federal agency support personnel as in FY 1989.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $100,000

Total number of Federal employees detailed to this agency in:
FY 1988: 58 FY 1989: 54

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 2 FY 1989: 2

Total amount of reimbursement required for the use of detailees in:
FY 1988: $87,376 FY 1989: $100,000

** NOTE: Approximately 3/4 of the non-reimbursable detailees are in OMB for three months or less during budget season.

Office of Policy Development

The Office of Policy Development anticipates that in FY 1990, its use of other Federal agency personnel will be at approximately the same level as the two previous fiscal years.

Because of the nature of policy advice to the President, it often is essential to consult government experts who are knowledgeable on the current status of an issue. These issues require timely advice which is more appropriately obtained from sources already within government and available to OPD by borrowing the right individual. Therefore, the loan of an expert by a Federal agency involved in the issue is in the best interests of the loaning agency and the most effective way for OPD to obtain such expert advice.

Under the applicable law, OPD reimburses the detailing agency for the pay of each detailee who is performing services which have been or would otherwise be performed by an employee of OPD. This reimbursement is for any period during the fiscal year after 180 calendar days from when the person is detailed that year.

Other government support is provided by Federal agencies to OPD in the form of individuals assigned as representatives of their own agency to work on matters of mutual interest to OPD and their home agencies.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $40,000

Total number of Federal employees detailed to this agency in:
FY 1988: 8 FY 1989: 7

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 2 FY 1989: 3

Total amount of reimbursement required for the use of detailees in:
FY 1988: $91,654 FY 1989: $54,000

Office of Science and Technology Policy

During FY 1990, the Office of Science and Technology Policy has anticipated that it will require $298,000 for detailees. Due to its Congressional mandate, OSTP is required to reimburse Federal agencies a total of fifty percent of the total personnel compensation for individuals assigned to its staff. During FY 1989, OSTP anticipates expenditures in the amount of $225,000, although in FY 1988, a total of $259,000 was expended.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $298,000

Total number of Federal employees detailed to this agency in:
FY 1988: 15 FY 1989: 11

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 15 FY 1989: 11

Total amount of reimbursement required for the use of detailees in:
FY 1988: $259,000 FY 1989: $225,000

Special Assistance to the President

The Office of the Vice President currently has no plans to have any detailees on staff for a period exceeding 180 days in fiscal year 1990. However, if any such detailees are used, they will be reimbursed.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $0

Total number of Federal employees detailed to this agency in:
FY 1988: 5 FY 1989: 6

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 0 FY 1989: 0

Total amount of reimbursement required for the use of detailees in:
FY 1988: $0 FY 1989: $0

United States Trade Representative

The FY 1990 budget requests funding to provide for the workload generated by the Uruguay Round of Negotiations. Some of these funds may be needed to pay for reimbursable details from other agencies. In addition, the level of increased negotiating activity will require a number, perhaps ten, of non-reimbursable details from other agencies.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $498,000

Total number of Federal employees detailed to this agency in:
FY 1988: 32 FY 1989: 24

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 13 FY 1989: 8

Total amount of reimbursement required for the use of detailees in:
FY 1988: $513,000 FY 1989: $366,000

White House Office

An employee detailed to the White House Office from another Federal agency is considered non-reimbursable until the 181st day of detail. At that time, according to Public Law 95-570, the White House Office is responsible for the compensation and benefit costs of that detail until the close of the fiscal year.

A second category, other government support, is comprised of employees from other Federal agencies who are assigned to the White House as their duty station. The White House Office is not liable for their compensation and benefit costs since they are performing the work of their home agency.

Upon entering office, the Bush Administration reviewed the FY 1990 Reagan request closely. Some adjustments were made in the Personnel Compensation category. As a result, the amount budgeted for detailee use in FY 1990 is relatively low when compared to previous years and takes into consideration the need to fund mandatory increases such as the pay raise and rising FERS costs.

Total amount included in FY 1990 request to reimburse other Federal agencies for the use of personnel: $471,000

Total number of Federal employees detailed to this agency in:
FY 1988: 102 FY 1989: 99

Of the total above, the number detailed on a reimbursable basis in:
FY 1988: 50 FY 1989: 11 *

Total amount of reimbursement required for the use of detailees in:
FY 1988: $674,686 FY 1989: $500,000

* NOTE: At this time it is certain that only this number are reimbursable, however, all detailees exceeding 180 days will be reimbursed as the fiscal year progresses.

QUESTION 3.) For each EOP agency, what additional amount would be required to fully annualize the cost of the January 1989 pay raise in Fiscal year 1990?

ANSWER: Three-fourths of the annual cost of the January 1989 4.1 percent pay raise occur in fiscal year 1989. Agencies are required to absorb the fiscal year 1989 costs of this pay raise within appropriated levels. The amounts absorbed are listed in the table below:

Council of Economic Advisors:	$82,000
Council on Environmental Quality:	$13,621
National Security Council:	$0

- **Note on NSC**: Funds requested for Personnel Compensation in the amount of $2,849,000 will provide for the necessary full-time permanent employees for the National Security Council throughout FY 90. At this time NSC is projecting some staff reductions and require no extra funding to cover Personnel Compensation regarding the 4.1% pay increase instituted in January 1989.

National Space Council:	$13,509 *
Office of Administration:	$180,000
Office of Federal Procurement Policy:	$50,288
Office of Management and Budget:	$835,000
Office of National Drug Control Policy:	$174,414 *

Office of Policy Development:	$91,336
Office of Science & Technology Policy:	$32,720
Official Residence of the Vice President:	$0
Special Assistance to the President:	$17,000
U.S. Trade Representative:	$373,000
White House Office:	$460,000

*** NOTE: BOTH THE ONDCP & SPACE COUNCIL BUDGETS WERE DEVELOPED AFTER THE 4.1% PAY RAISE WAS ENACTED, AND INCORPORATE THE ABOVE AMOUNTS IN THEIR REQUESTS.**

The remaining one-fourth of the pay raise required to fully annualize the cost of the pay raise in fiscal year 1990 is included in all of the Executive Office of the President requests. Therefore, no additional amounts are required.

FY 1989 REDUCTION

QUESTION 4.) President Bush has submitted a package of fiscal year 1989 supplemental funding requests under which proposed discretionary program increases would be offset by an across-the-board reduction to domestic discretionary residual programs. The EOP discretionary accounts have been identified by OMB to fall into this set of residual programs affected by the proposed 1.099 percent across-the-board reduction. What impact will this proposed across-the-board cut have on the EOP agencies?

ANSWER: Should the 1.099 percent reduction be enacted, the impact on the different agencies within the Executive Office of the President will vary. In general, the reduction will be dealt with through the deferral of equipment replacement programs. Such will be the case with the Council of Economic Advisers, the Office of Administration, and the Vice President's Office. The impact on other agencies plans will be less pronounced due to savings experienced in the Personnel areas, as is the case with the Office of Federal Procurement Policy, the Council on Environmental Quality, and the National Security Council.

Because the reduction was applied against budget authority, the National Space Council was not affected, since it did not receive any FY 1989 budget authority. The National Space Council received its FY 1989 funding of $181,000 through an allocation from the Unanticipated Needs account.

The Office of National Drug Control Policy would also not be subject to the reduction due to its classification as a Presidential priority program.

COMPENSATION OF THE PRESIDENT

QUESTION 1.) In your testimony, you indicate that responsibility for processing presidential compensation payments was transferred from the GAO and the Department of Treasury to the Office of Administration effective January 20, 1989, and that consolidating this responsibility will improve the effectiveness of processing the President's salary. Will you please explain how this transfer will improve the "effectiveness" of processing the president's salary?

ANSWER: The Office of Administration's Financial Management Division already handles the accounting for the remainder of the appropriations within the EOP. In addition, OA is responsible for payroll records for all EOP employees. By adding the Presidential Compensation payments to OA's existing payroll system, it cuts down on the number of parties involved in the processing of Presidential pay, standardizes the administration of the President's pay with that of the remainder of the EOP employees, and physically locates the responsibility for President's Compensation records within the White House Complex.

WHITE HOUSE OFFICE

WHITE HOUSE ADP

QUESTION 1.) The Fiscal Year 1990 Request for the White House Office includes $65,000 to replace the minicomputer to manage personnel resources. How old is the existing minicomputer?

ANSWER: The personnel mini-computer represented state-of-the-art technology at the time of its installation in 1983. As the internal machinery ages however, the architecture of the minicomputer will not allow simple repair. System "crashes" are frequent with increasing severity (the cause of the last "crash" was not identifiable). Upgrading the mini-computer hardware to the extent necessary would cost more than replacing the minicomputer entirely.

QUESTION 2.) An additional $150,000 is requested to rewrite and upgrade the minicomputer software. The justification indicates that the upgraded systems will require less dependence upon technical support. Will this yield any savings? If so, how much and is this savings included in the Fiscal Year 1990 Request?

ANSWER: The White House depends upon a cadre of technical staff to support our computer systems. When a computer "crashes," any number of technicians work to bring the system "up" as quickly as possible causing work on other systems to slow or stop altogether. The frequency and extent of "crashes" in the personnel computer significantly affected the normal operation and development of other computer systems. As such, the savings realized from the new computer will be a return to optimal support and development of other systems.

QUESTION 3.) The request for the White House Office includes $160,000 for an optical disk system. The justification indicates that this system will aid in transferring records to the National Archives at the close of an administration. Does the Archives have a compatible system and will this mean that once the original documents are photographed on this system they will no longer be kept? Who else will benefit from the transfer of documents via this system?

ANSWER: Once an image is made of a Presidential document on disk, the original document can be almost permanently "filed." The advantage of this system is twofold. Since subsequent work is from the optical disk, original documents can be periodically transferred to the Archives rather than only at the end of the Administration. Second, since work is performed with the digitized copy, the original document can be stored and its preservation is greatly enhanced. The National Archives is currently working on developing their own optical disk system. Depending upon design of future presidential libraries, the optical system technology can be used.

QUESTION 4.) I note that the $225,000 requested for the minicomputer and the optical disk framework is for rental of these two systems. Is there a reason why you propose to rent rather than purchase these two new systems?

ANSWER: The two systems would ultimately revert to government ownership under the proposed lease to ownership plan. The funds requested for the optical disk will complete the acquisition process for a system recently adopted by the records management operation. Acquisition of the minicomputer via a rental arrangement will provide needed flexibility to the White House in the early stages of a new Administration. This method will allow quick reaction to the effects of obsolescence, system expansion, or replacement requirements.

SPACE RESURVEY

QUESTION 5.) The budget justification for the White House Office account indicates that a joint survey was undertaken with the GSA and that as a result of this survey, it was discovered that the amount of office space occupied by the White House diminished, but an additional $250,000 is necessary because use of other space classifications changed. What was the total reduction in square feet occupied by the White House and what savings result from this? What space classifications changed to increase the White House Office's space rental costs?

ANSWER: The additional $250,000 in FY 1990 space cost was driven by two factors: a square foot rate increase mandated by GSA of approximately $64,000 and the resurvey which indicated that the classifications of space used by the White House changed. As with any agency, the White House Office has a different rate for each type of space used (office space, storage space, structurally-altered space, etc.). Due to an increased dependence upon computers and the installation of heavy equipment such as automatic files, the White House Office required space with reinforced flooring. The cost of occupying such structurally-altered space is more expensive than standard office space. While occupied office space was 6,000 square feet less than previously recorded, additional structurally-altered and use of other space classifications require an additional $186,000.

REDUCTION IN OTHER SERVICES

QUESTION 6.) The Fiscal Year 1990 Appropriation for the White House Office proposes an $83,000 reduction below the Fiscal Year 1989 level in the "other services" object classification. The justification indicates that this includes a $200,000 reduction in one-time transition funding, a $150,000 internal adjustment by the Bush Administration, and increases of $267,000 ($150,000 for minicomputer software and $117,000 for inflationary increases). What is the basis for the $150,000 reduction being proposed?

ANSWER: For FY 1990, computer system development is not planned in the same manner or extent. Expenditures in the Other Services category will be reduced by $150,000. This reduction reflects an Administration decision to shift resources to improve the area of greatest need within the White House Office, ADP hardware.

QUESTION 6. (CONTINUED) The justification indicates that the $117,000 inflationary increase is due primarily to higher maintenance and support costs for White House computer systems; is there any particular reason for the increase in these vendor costs?

ANSWER: As the White House replaces obsolete equipment with more complex equipment, the maintenance and support of that equipment also becomes more complex. From copying machines to major computer systems, peak performance is crucial to support the decisions made by White House Office staff. Because the White House cannot afford to wait for service when a system breaks down, vendor and staff support must be immediate. Speed of service combined with the necessary knowledge of support personnel and the standard inflationary cost increases require the $117,000 increase.

EQUIPMENT INCREASE

QUESTION 7.) The Fiscal Year 1990 request for the White House Office proposes a $275,000 increase for equipment. The budget justification indicates that the program of replacing obsolete equipment will be "stepped-up." What is the total amount required to replace all obsolete equipment?

ANSWER: Each fiscal year, the White House Office equipment and furniture budget includes funding for normal operating requirements, new requests for ADP equipment and furniture, and for the necessary replacement of existing obsolete equipment. Balancing these needs is not always possible since absorption in recent years of unfunded costs such as detailee reimbursement and pay raises has impeded the White House Office's ability to keep on schedule with its equipment upgrades. This series of deferred upgrades has eroded the basic technological foundation of the White House over the past several years. Furniture replacement has also suffered. If in FY 1990, all obsolete equipment were to be replaced at one time, an estimated $1.5 million would be necessary. This equipment is either not supported by the vendor due to age or is simply too old for cost effective maintenance and repair.

OFFICE OF ADMINISTRATION

SPACE RESURVEY

QUESTION 1.) The fiscal year 1990 request for the Office of Administration includes an increase of $376,000 to finance the amount of space actually occupied. How many additional square feet was the Office of Administration charged with as a result of the OA/GSA reassessment?

ANSWER: Due to the resurvey, OA was charged with 13,151 more square feet in FY 1990 than had previously been included in GSA's database.

DIRECT FUNDING OF OMB SUPPORT

QUESTION 2.) The fiscal year 1990 request includes increases totaling $400,000 for the Office of Administration to assume direct funding for the support of direct on-line access between OMB's budget preparation system and other Federal Government agencies. The budget justification indicates $275,000 would be transferred to the Office of Administration from the OMB in support of OMB's minicomputers and $125,000 is requested to directly fund the costs associated with the support requirements of operating the budget preparation system's direct on-line access program for federal agencies. Under the current arrangement, the Office of Administration is reimbursed for both these services. The budget justification indicates this initiative will require no actual increase in funding for the EOP. The $400,000 is reflected as an increase in the "Other Services" object classification. If only $275,000 is being transferred from OMB to the Office of Administration to meet this $400,000 funding requirement, where is the offset for the remaining $125,000?

ANSWER: The entire amount of $400,000, $275,000 for minicomputer support and $125,000 for on-line access to OMB's Budget Preparation System, both previously reimbursable from OMB to OA, is proposed to be transferred in FY 1990 from OMB's budget to OA's budget. Although OA does not review OMB's budget submission, we have been informed that OMB's request reflects the full effect of this transfer by showing a $400,000 decrease.

MAX 2000

QUESTION 3.) The fiscal year 1990 request for the Office of Administration proposes $250,000 for the "Max 2000" initiative and OMB's fiscal year 1990 request includes another $500,000 for this project. Is this the same project for which $3.5 million was sought in fiscal year 1989 under the "Expenses of Management Improvement" account. If so, why is the funding request for this initiative not only being shifted from the "Expenses of Management Improvement" account but split between the Office of Administration and OMB? In addition, why is $750,000 being requested for this initiative rather that the $3.5 million requested last year?

When the $3.5 million request was made last year, OMB indicated that the first phase of the project was underway. What work has been done to date?

What is the total estimated cost of the "Max 2000" initiative?

ANSWER: MAX 2000 is the same project for which $3.5 million was requested last year. In fiscal year 1990, the "Expenses of Management Improvement" account was renamed the "Investment in Management Improvement" account and redirected at incentives for management improvement in agencies outside the Executive Office. The redirected emphasis for the account made it more appropriate to budget the MAX 2000 project as incremental annual funding in the accounts of the concerned EOP agencies. This also corresponds with Congressional desires evidenced in FY 89 report language.

As the budget was shifted to annual agency funding, it was recognized that certain of the projected expenses -- notably computer equipment and software shared with other agencies -- occurred in areas of common service which OA is chartered to provide to all agencies in the EOP. The expenses were split accordingly.

The $750,000 request would complete the requirements and data modelling study for the system and enable us to acquire equipment and software necessary to begin its development.

To date, the functions of the current budget information system have been documented, and formal data administrator and data base administrator positions have been defined in OMB. A technical study of alternative approaches to computer architecture and data base software will be completed by the end of fiscal year 1989. A formal requirements study and a data modelling effort are also underway to define the structure of the needed budget system. These will be completed in fiscal year 1990.

The total estimated cost of the "MAX 2000" project is $3.75 million, including this year's OMB/OA request for $750,000. The total figure is subject to confirmation by the design studies now being carried out.

REMOTE DELIVERY SITE

QUESTION 4.) The fiscal year 1990 request includes $87,000 for the remote delivery site. What is the total level of funding and number of FTE positions included in the fiscal year 1990 request for the remote delivery site?

ANSWER: The operation of the Remote Delivery Site is currently consuming approximately 5 full-time equivalents and approximately

$121,000 in funds for FY 1989. The FY 1990 request does not include a request for any additional FTEs. To adequately fund the cost of full operation of the RDS, an additional amount of $87,000 in non-personnel costs are requested in FY 1990. This includes equipment purchases, vehicle leases, and the cost of additional space.

DRUG TESTING

QUESTION 5.) In fiscal year 1989, $167,000 was provided to implement the President's Drug-Free Workplace plan. This included $40,000 for one additional position, $25,000 for the contract counseling services, and $102,000 for program administration, testing education and training, and the services of a medical review officer.

What portion of the $167,000 in funding provided to the Office of Administration for the drug testing will not be obligated in fiscal year 1989 given the current court injunction? Will these funds be used for any other purpose?

What level of funding is included in the fiscal year 1990 request for the Drug-Free Workplace program? How much is for actual testing? How many positions in the 13 EOP agencies are designated for testing in fiscal year 1990; What percent of these will be tested under the plan?

ANSWER: Approximately $105,000 has been obligated to date for the purpose of establishing the EOP's Drug-Free Workplace Plan. Even if no testing is conducted in FY 1989, approximately $93,000 of these funds will be spent for the Employee Assistance Program contract, the costs for the Employee Assistance Coordinator, ADP development, and the EOP's pro-rated share of funding for the National Institutes of Health's Institute of Drug Abuse. If no testing occurs in FY 89, approximately $74,000 will lapse to Treasury. The same amount of $167,000 is built into the FY 1990 budget in the Personnel Management Office's current services level base. Approximately $100,000 of the $167,000 total annual cost for implementing the Plan will be applied to the actual testing of employees. None of these funds will be used for any other purpose.

The drug testing policies and procedures for all EOP agencies are set forth in the EOP Drug-Free Workplace Plan, which was announced to all EOP staff on July 8, 1988. The Plan provides for random testing of employees in sensitive positions, pre-employment testing of applicants being hired into these testing designated positions, education and training programs and an Employee Assistance Program. Approximately 1,500 employees throughout the EOP are subject to random testing. We plan to test 12% of these employees on an annual basis. The Office of Administration is coordinating implementation of the EOP drug program.

REIMBURSABLE SERVICES

QUESTION 6.) The budget justification indicates that because the Office of National Drug Control Policy and the National Space Council were not authorized until the close of 1988, the Office of Administration was unable to include support in its fiscal year 1990 request for these two new EOP agencies. As a result, support will be provided on a reimbursable basis until fiscal year 1991.

Since the Office of Administration provides common administrative support and services to all EOP agencies, what level of support will be provided to each of these two agencies and what level of reimbursement do you estimate each of these two new agencies will be required to provide?

If either of these two new EOP agencies is unable to fund the necessary reimbursement, do you foresee the possibility of a budget amendment being proposed to cover these costs?

ANSWER: Full support, including payroll and accounting services, procurement, mail service, supplies, ADP assistance, and personnel and library services, will be provided to both the Office of National Drug Control Policy and the National Space Council. Each agency will be required to reimburse OA until the expenses incurred in support of these two agencies can be incorporated into OA's FY 1991 request. Standard interagency agreements will be entered into for both of these agencies, similar to the interagency agreements OA currently has with temporary commissions such as the Commission on the Bicentennial of the Constitution. We do not anticipate a budget amendment for the funding of these agreements.

OFFICIAL RESIDENCE OF THE VICE PRESIDENT

QUESTION 1.) The budget justification indicates that a small adjustment has been made to the original fiscal year 1990 Reagan request for the Official Residence of the Vice President to reallocate funds from other services and supplies to increase the compensation and benefits line item. Please be specific as to the adjustments made, the dollar amount, and the reasons for these adjustments to the original request.

ANSWER: The personnel compensation and benefits object classes have been increased by a total of $10,000 to allow for pay costs of the administrative position at the Vice President's Residence. The additional monies will be applied toward the increased benefits costs arising from the Federal Employees Retirement System and a small salary increase. This reallocation is being funded from transfers from the Other Services and Supplies object classes.

QUESTION 2.) When do you anticipate that the Long-Range Maintenance Study of the Vice-President's Residence will be finalized and available to this Subcommittee?

ANSWER: A draft study will be made available to the Subcommittee. The study will be put in final form after the Office of the Vice President has had the opportunity to fully review the report.

OFFICE OF POLICY DEVELOPMENT

QUESTION 1.) The "Personnel Compensation and Benefits" object classification for the Office of Policy Development includes funding for overtime and holiday pay. What "overtime" and "holiday" pay do employees of the Office receive?

ANSWER: The Office of Policy Development normally does not pay overtime to full time permanent employees. There is an allowance of $3,000 in the fiscal year 1990 budget. This is primarily for payment of overtime to temporary employees.

COUNCIL OF ECONOMIC ADVISORS

QUESTION 1.) The fiscal year 1990 request for the Council of Economic Advisors includes an increase of $56,000 for "Equipment" which is attributed to a delay in necessary equipment replacement in fiscal year 1989 because of the absorption of the pay raise. Total fiscal year 1990 funding for the "Equipment" object classification is $70,000 more than double the fiscal year 1988 funding level of $34,000. What is the total amount of funding requested for equipment replacements delayed in fiscal year 1989? What specific equipment replacements were deferred? What is the basis of the increase in funding for "Equipment" in fiscal year 1990 over the fiscal year 1988 level?

ANSWER: In the FY 1988 budget, CEA requested $70,000 for equipment. However, the 1968 costs of the 1988 pay raise had to be absorbed within requested funding levels. Equipment was the only category that could be reduced to absorb the increased pay costs of $36,000. As a result, only $34,000 was spent on equipment. The total amount of funding requested for equipment replacement delayed in fiscal 1989 to absorb the 1989 pay raise was $56,000.

The equipment purchases that were delayed were for personal computers/word processors. Some of the stand-alone word processors are so old they are difficult and expensive to repair because parts are no longer available. Also, a large number of computers are so old they will not support up-to-date software currently in use throughout the Federal Government and the private sector.

EXECUTIVE RESIDENCE AT THE WHITE HOUSE

STATEMENT OF ROBERT G. STANTON, REGIONAL DIRECTOR, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

ACCOMPANIED BY:

MARYANNE MURILLO, BUDGET ANALYST, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

JAMES I. McDANIEL, ASSOCIATE REGIONAL DIRECTOR, WHITE HOUSE LIAISON, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

INTRODUCTION OF WITNESS

Senator **DECONCINI**. We are going to take someone out of order here. We are waiting for Senator Reid. We are going to take testimony concerning the Executive residence from Mr. Robert Stanton, Director of the National Capital Region of the National Park Service.

I am sorry, gentlemen. If you can wait, this is not going to take too long. These guys are so frugal with their budgets and easy to get along with.

How are you?

Mr. **STANTON**. Fine. You?

Senator **DECONCINI**. Fine. Thank you. Senator Reid will be here shortly.

We welcome you, Mr. Stanton.

Mr. **STANTON**. Thank you very much, Mr. Chairman.

Senator **DECONCINI**. We are very pleased to have you here this morning. Your predecessor, Mr. Jack Fish, was a neighbor of mine. I have known him for many years. He served extremely well, I thought. You are filling his shoes in a most admirable way. He was very professional, as I am sure you intend to be. We look forward to working with you.

You may proceed. Your full statement will appear in the record.

Mr. **STANTON**. Well, I certainly appreciate those fine comments about the National Park Service, and certainly about one of my heroes, too, Jack Fish.

Senator **DECONCINI**. Great guy.

Mr. **STANTON**. I was honored to serve as his deputy for a few years.

Senator **DECONCINI**. I know you did. That is where you learned it all?

Mr. **STANTON**. Yes; indeed.

Mr. Chairman, I am glad to be here with you and the committee. I am accompanied by Ms. Maryanne Murillo, who is our budget analyst with the National Capital Region; and Jim McDaniel, who is our Associate Regional Director, White House Liaison.

CONDITION OF THE EXECUTIVE RESIDENCE

Mr. Chairman and members of the committee, on behalf of the National Park Service, I appreciate the opportunity to appear before you to report on the condition of the Executive residence at the White House and to present for your consideration the funding requirements for the maintenance and operation of the Executive residence for fiscal year 1990.

The Executive residence, I am pleased to report, is in excellent condition and remains open to the public at the scheduled 2 hours, 5 days per week. The mechanical components are in good repair, with the help of the committee, I might add, and the appropriation for this account for fiscal year 1989 is $5,698,000. The appropriation we are requesting for fiscal year 1990, Mr. Chairman, is $6,773,000.

Included in the $1,075,000 increase requested is $1,032,000 for nonrecurring requirements that are essential to the operation and maintenance of the Executive residence.

RESTORATION NEEDS

Some $800,000 is requested for the restoration of the residence's exterior windows, to include replacement of both the window glass and the wooden window components that were restored during 1948 through 1952; the so-called Truman renovation. As we have proceeded with the exterior restoration project, we have now determined that the windows have deteriorated beyond repair. In addition, we are requesting $125,000 for the replacement of the wood flooring in the dining rooms of the State Floor, also installed during the Truman renovation. The East Room and parlor wood floors, on the State Floor, having been previously replaced with appropriated funds.

OTHER OPERATING NEEDS

About $60,000 is for the replacement of stages and press platforms that have exceeded the manufacturer's life expectancy. Some $47,000 is for the acquisition of computers and associated hardware for the computerization of the required inventory of the White House Fine Arts Collection for the Curator's Office.

In addition, recurring funds are requested for an assistant chef; preventive maintenance and operational supplies for a newly installed water filtration system, household supplies and equipment, and several painting conservation projects.

EXTERIOR RESTORATION OF THE WHITE HOUSE

Mr. Chairman, this concludes our budget request. However, I would like to take just 1 minute, if I may, to report on the stages of the exterior restoration project.

The project, I am pleased to announce, is on schedule for completion in 1992, the 200th anniversary of the laying of the cornerstone of the Executive residence, the White House. I brought two diagrams with me which may be helpful; and later on, Mr. Jim McDaniel will discuss this, as well as some other visual aids that we have for our presentation.

The first diagrams show the current status of the various surfaces and projected schedule for completion. Currently, three surfaces of the residence are unpainted and undergoing stone restoration. Four surfaces remain to have paint removed and undergo the stone restoration. These surfaces are to be addressed over the next three summers, with stone repair continuing throughout the period.

The second diagram is an architectural rendering of the North Facade of the residence showing the two faces of either side of the North Portico. They are currently unpainted and receiving stone restoration activities, as indicated by the yellow.

The stone was covered up with 32 identifiable layers of paint. Now that the paint has been removed, and a closer investigation of the condition of the stones can be made, we are finding, unfortunately, that more areas require attention and need restoration.

The overlay, as depicted there, shows the actual work that has been completed on the surface east of the North Portico and the projected work on the surface west of the North Portico. We also have some additional photographs for you that will illustrate the extent of the work required. The impact of this additional work is under discussion with the contractor; and we will certainly keep the committee advised of these discussions as additional surfaces have paint removed.

If you could just illustrate further, Jim, the extent of the deteriorated stones.

As you can well suspect, Mr. Chairman, the quality of the work completed is in keeping with the original stonework as directed by mason Collen Williamson, working at the direction of the architect, James Hoban.

Mr. Chairman in addition to these presentations through the use of visual aids, we would be more than happy to respond to any specific questions that you and the committee may have about the restoration work or about the requested increase in the Executive residence budget.

[The statement follows:]

STATEMENT OF ROBERT G. STANTON

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TO REPORT ON THE CONDITION OF THE EXECUTIVE RESIDENCE AT THE WHITE HOUSE AND TO PRESENT, FOR YOUR CONSIDERATION, THE FUND REQUIREMENTS FOR THE MAINTENANCE AND OPERATION OF THE EXECUTIVE RESIDENCE FOR FISCAL YEAR 1990.

THE EXECUTIVE RESIDENCE IS IN EXCELLENT CONDITION AND REMAINS OPEN TO THE PUBLIC AT THE SCHEDULED TOUR HOURS FIVE DAYS PER WEEK. THE MAJOR MECHANICAL COMPONENTS ARE IN GOOD REPAIR, WITH THE HELP OF THE COMMITTEE. THE APPROPRIATION FOR THIS ACCOUNT FOR FISCAL 1989 IS $5,698,000. FOR FISCAL 1990, THE APPROPRIATION REQUEST IS $6,773,000.

INCLUDED IN THE $1,075,000 REQUESTED INCREASE IS $1,032,000 FOR NON-RECURRING ITEMS THAT ARE ESSENTIAL TO THE OPERATION AND MAINTENANCE OF THE EXECUTIVE RESIDENCE.

$800,000 IS REQUESTED FOR RESTORATION OF THE RESIDENCE EXTERIOR WINDOWS TO INCLUDE REPLACEMENT OF BOTH THE WINDOW GLASS AND THE WOODEN WINDOW COMPONENTS THAT WERE RESTORED DURING THE 1948-52 TRUMAN RENOVATION. AS WE HAVE PROCEEDED WITH THE EXTERIOR RESTORATION PROJECT, WE HAVE NOW DETERMINED THAT THE WINDOWS HAVE DETERIORATED BEYOND REPAIR.

$125,000 IS FOR THE REPLACEMENT OF THE WOOD FLOORING IN THE DINING ROOMS OF THE STATE FLOOR, ALSO INSTALLED DURING THE TRUMAN RENOVATION. THE EAST ROOM AND PARLOR WOOD FLOORS, ON THE STATE FLOOR, HAVE BEEN PREVIOUSLY REPLACED WITH APPROPRIATED FUNDS.

$60,000 IS FOR THE REPLACEMENT OF STAGES AND PRESS PLATFORMS THAT HAVE EXCEEDED THE MANUFACTURER'S LIFE EXPECTANCY.

$47,000 IS FOR THE ACQUISITION OF COMPUTERS AND ASSOCIATED SOFTWARE FOR THE COMPUTERIZATION OF THE REQUIRED INVENTORY OF THE WHITE HOUSE FINE ARTS COLLECTION FOR THE CURATOR'S OFFICE.

IN ADDITION, RECURRING FUNDS ARE REQUESTED FOR AN ASSISTANT CHEF POSITION, PREVENTATIVE MAINTENANCE AND OPERATING SUPPLIES FOR A NEWLY INSTALLED WATER FILTRATION SYSTEM, HOUSEHOLD SUPPLIES AND EQUIPMENT, AND SEVERAL PAINTING CONSERVATION PROJECTS.

THIS CONCLUDES OUR BUDGET REQUEST, MR. CHAIRMAN. I WOULD LIKE TO TAKE JUST A MINUTE, IF I MAY, TO REPORT ON THE STATUS OF THE EXTERIOR RESTORATION PROJECT.

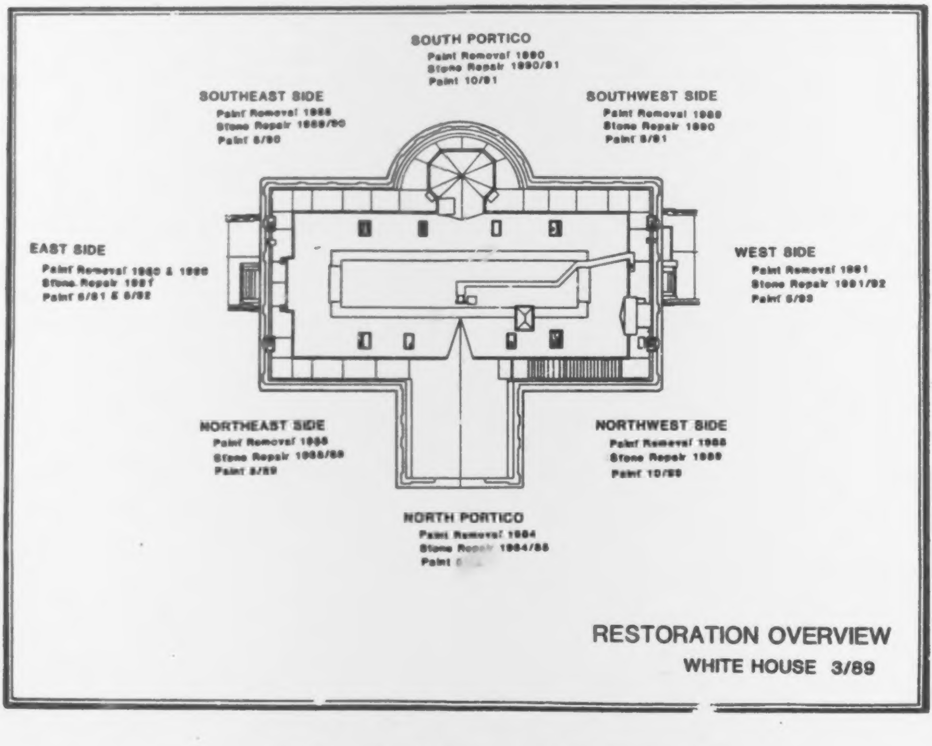
THE PROJECT IS ON SCHEDULE FOR COMPLETION IN 1992, THE TWO HUNDREDTH ANNIVERSARY OF THE LAYING OF THE CORNERSTONE OF THE EXECUTIVE RESIDENCE. I BROUGHT TWO DIAGRAMS WITH ME WHICH MAY BE HELPFUL. THE FIRST DIAGRAM SHOWS THE CURRENT STATUS OF THE VARIOUS SURFACES AND THE PROJECTED SCHEDULE FOR COMPLETION. CURRENTLY, THREE SURFACES OF THE RESIDENCE ARE UNPAINTED AND UNDERGOING STONE RESTORATION. FOUR SURFACES REMAIN TO HAVE PAINT REMOVED AND UNDERGO THE STONE RESTORATION. THESE SURFACES ARE TO BE ADDRESSED OVER THE NEXT THREE SUMMERS WITH STONE REPAIR CONTINUING THROUGHOUT THE PERIOD.

THE SECOND DIAGRAM IS AN ARCHITECTURAL RENDERING OF THE NORTH FACADE OF THE RESIDENCE SHOWING THE TWO FACES ON EITHER SIDE OF THE NORTH PORTICO THAT ARE CURRENTLY UNPAINTED AND RECEIVING STONE RESTORATION ACTIVITIES. THE DIAGRAM ALSO SHOWS THE AREAS THAT WERE ORIGINALLY PRESENTED TO THE COMMITTEE AS THOSE WHICH WERE SURVEYED AS REQUIRING STONE RESTORATION. AT THAT TIME, THE STONE WAS COVERED WITH UP TO THIRTY-TWO IDENTIFIABLE PAINT COATINGS. NOW THAT THE PAINT HAS BEEN REMOVED AND CLOSER INVESTIGATION OF THE CONDITION OF THE STONE CAN BE MADE, WE ARE FINDING MORE AREAS THAT REQUIRE ATTENTION THAN HAD BEEN ANTICIPATED. THE OVERLAY ATTACHED TO THIS SECOND DIAGRAM SHOWS THE ACTUAL WORK THAT HAS BEEN COMPLETED ON THE SURFACE

EAST OF THE NORTH PORTICO AND THE PROJECTED WORK ON THE SURFACE WEST OF THE NORTH PORTICO. I ALSO HAVE SOME ADDITIONAL PHOTOGRAPHS FOR YOU THAT SHOW THE EXTENT OF THE WORK REQUIRED. THE IMPACT OF THIS ADDITIONAL WORK IS UNDER DISCUSSION WITH THE CONTRACTOR AND WE WILL KEEP THE COMMITTEE ADVISED OF THESE DISCUSSIONS AS ADDITIONAL SURFACES HAVE PAINT REMOVED.

THE QUALITY OF THE WORK COMPLETED IS IN KEEPING WITH THE ORIGINAL STONEWORK AS DIRECTED BY MASTER MASON COLLEN WILLIAMSON, WORKING AT THE DIRECTION OF THE ARCHITECT, JAMES HOBAN.

MR. CHAIRMAN, I SHALL BE PLEASED TO ANSWER ANY QUESTIONS YOU AND THE OTHER MEMBER OF THE COMMITTEE MAY HAVE ABOUT THE OPERATION OF THE EXECUTIVE RESIDENCE.


SOUTH PORTICO
Paint Removal 1990
Stone Repair 1990/91
Paint 10/91
SOUTHEAST SIDE
Paint Removal 1988
Stone Repair 1989/90
Paint 8/90
SOUTHWEST SIDE
Paint Removal 1989
Stone Repair 1990
Paint 8/91
EAST SIDE
Paint Removal 1980 & 1990
Stone Repair 1991
Paint 8/91 & 8/92
WEST SIDE
Paint Removal 1991
Stone Repair 1991/92
Paint 8/93
NORTHEAST SIDE
Paint Removal 1988
Stone Repair 1988/89
Paint 8/89
NORTHWEST SIDE
Paint Removal 1988
Stone Repair 1989
Paint 10/89
NORTH PORTICO
Paint Removal 1984
Stone Repair 1984/85
Paint [illegible]
RESTORATION OVERVIEW
WHITE HOUSE 3/89

EXECUTIVE RESIDENCE AT THE WHITE HOUSE
FY 1990 Appropriation Summary Statement

This budget provides for the care, maintenance, repair, alteration, refurnishing, improvement, air conditioning, heating, and lighting (including electric power and fixtures) of the Executive Residence at the White House and official and ceremonial functions of the President to be expended and accounted for as provided by 3 U.S.C. 105, 109-110, 112-114.

The Fiscal Year 1989 appropriation for this account is $5,698,000 as provided in Public Law 100-440. The Fiscal Year 1990 budget provides for $800,000, to remain available until expended, for replacement of exterior windows. A request of $5,973,000 for normal operating expenses with the one time request of $800,000, brings the FY 1990 budget request to $6,773,000.

Justification for Appropriation, Fiscal 1990
(in thousands of dollars)

Activity: Operating Expenses		1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE	INCREASE DECREASE
Operating Expenses	$	5,003	5,698	5,973	+275
White House Stone Restoration		2,400			
Exterior Window Restoration				800	+800
Full-time Permanent Positions		(93)	(94)	(95)	(+1)

Authorization: 3 U.S. Code 105, 109-110, 112-114

Objective: To provide for the care, maintenance, repair and alteration, refurnishing, improvement, air conditioning, heating and lighting, including electric power and fixtures, of the Executive Residence at the White House, and official and ceremonial functions of the President.

Program:

The Executive Residence staff provides for the operation of the Executive Residence. A staff of 39 domestic employees accomplishes general housekeeping, prepares and serves meals, greets visitors, and provides services as required in support of official and ceremonial functions. A staff of 33 tradespersons, including plumbers, carpenters, painters, on a single shift; electricians on a double shift; and operating engineers on a 24 hour basis, maintains and makes repairs, minor modifications, and improvements to the 132 rooms and the mechanical systems, and provides support for official and ceremonial functions.

A staff of 14 specialized employees provides services necessary to the operation of the White House and official and ceremonial functions. This staff includes 4 florists, 5 curators, and 5 calligraphers.

An administrative staff consists of the Chief Usher, 3 Assistant Ushers, 1 Executive Grounds Superintendent, 2 Administrative Assistants, and 1 Accountant. The staff is charged with management and administrative functions of the Executive Residence. This requires coordination with the Executive Office of the President, the National Park Service, the Military, the United States Secret Service, the General Services Administration and other agencies.

The equivalent of 4 full-time workyears of extra staff above the ceiling for full-time permanent positions are hired under personal services contract agreements ("Services by Agreement") to provide additional help as required for official and ceremonial functions.

Current Accomplishments:

The White House is maintained as a home for the President and his family, as a public museum, and to serve as a facility for official and ceremonial functions.

The White House is open for public tours Tuesday through Saturday in addition to some national holidays, the evening Candlelight Tours at Christmas, the Easter Egg Roll, and spring and fall Garden Tours. During 1988, an average of 4,291 visitors toured the White House each day for 254 days. A total of 23,011 people participated in the 1988 Easter Egg Roll on April 4, 1988.

Budget Considerations:

1. An additional permanent position, that of Assistant Chef is needed to lessen the kitchen overtime costs and reduce use of Service by Agreement Chefs..+ 37,000

2. Additional funds are needed to provide preventive maintenance and operating supplies for the newly installed Water Filtration System.......................+ 17,000

3. Funds are needed for acquisition of new computer technology to replace the outdated system currently used to maintain historical records and inventory of all items in the White House and the White House Fine Arts Collection...+ 47,000

4. A number of stock items are in short supply and need to be purchased including replacement bed and table linens, daily housekeeping supplies and glassware, electrical, carpentry and engineering items, and interior and exterior paint. Inventory purchases, deferred for several years to fund pay raises and other urgent needs, can be deferred no longer...+ 57,000

5. Utility increases, including increased costs associated with portable telephones, cannot be absorbed.................+ 16,000

6. New and replacement of obsolete equipment is required including table saws, holesaws, steam cleaners, pipe detectors, flower pots, sculpture pedestals, draperies, and other furnishings...................................+ 44,000

7. Portable stages and press platforms used in the Executive Residence are showing signs of fatigue and need replacement...+ 60,000

8. Funding is requested to cover 25 percent of the FY 89 pay increase, (estimated at 4.1 percent).........................+ 45,000

Restoration of Funds Impacted by the FY 89 Pay Absorption:

9. Funds are needed to provide floor replacement in the State Dining Room and the Family Dining Room on the State level. This FY 89 project had to be deferred to fund the FY 89 pay increase...+125,000

10. Several painting conservation projects had to be deferred due to absorption of the FY 89 pay increase. These include The Peacemakers by Healy; Crossing the River Platt by Worthridge; and Lake George by Andrews...................+ 10,000

11. The cost of these increases will be partially offset by savings in other areas	-183,000
Subtotal operating	275,000
12. Exterior Window Replacement	+800,000
Total	1,075,000

OPERATING EXPENSES
Salaries & Expenses

IDENTIFICATION CODE 11-0210-0-1-802		1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE
Program by activities:				
	Direct Program:	6,766	5,878	6,463
	Reimbursable Program:	1,208	1,362	1,471
10.00	Total Obligations	7,974	7,240	7,934
Financing:				
	Offsetting collections from:			
11.00	Federal Funds	-818	-575	-618
14.00	Non-Federal sources	-390	-787	-853
21.00	Unobligated balance available, start of year		-635	-455
24.40	Unobligated balance available, end of year	635	455	765
25.00	Unobligated Balance lapsing	2	.....	.....
40.00	Budget Authority (Appropriation)	7,403	5,698	6,773
Relation of obligations to outlays:				
71.00	Obligations incurred, net	6,766	5,878	6,463
72.40	Obligations balance, start of year	72	1,670	1,017
74.40	Obligated balance, end of year	-1670	-1017	-1105
77.00	Adjustments in expired accounts	-16	.....	.....
90.00	Total Outlays	5,152	6,531	6,375

Note: Sums may not total due to rounding.

OPERATING EXPENSES
Salaries & Expenses

IDENTIFICATION CODE 11-0210-0-1-802		1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE
Direct Obligations:				
	Personnel Compensation:			
11.1	Full-time permanent	2,808	3,178	3,249
11.5	Other personnel compensation	613	773	727
11.9	Total Personnel Compensation	3,421	3,951	3,976
	Other:			
12.1	Personnel benefits: civilian	437	557	548
21.0	Travel and transportation of persons	5	9	7
22.0	Transportation of things	1	....	....
23.2	Communications, utilities, rent	183	262	278
24.0	Printing and reproduction	27	....	....
25.0	Other services	2,200	571	776
26.0	Supplies and materials	457	473	732
31.0	Equipment	35	55	146
99.0	Subtotal, direct obligations	6,766	5,878	6,463
Reimbursable Obligations:				
11.5	Other personnel compensation	126	132	130
23.2	Communication, utilities, rent	320	415	425
24.0	Printing and reproduction	0	75	75
25.0	Other services	271	260	282
26.0	Supplies and materials	491	480	559
99.0	Subtotal, reimbursable obligations	1,208	1,362	1,471
99.9	Total Obligations	7,974	7,240	7,934

Personnel Summary

	1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE
Total number of full-time permanent positions	93	94	95
Total compensable workyears	87	94	95
Full-time equivalent workyears			
Full-time equivalent of overtime and holiday hours	17	14	14
Reimbursable:			
Full-time equivalent employment			
Full-time equivalent of overtime	3	3	3

Note: Sums may not total due to rounding.

Justification for Appropriation, Fiscal 1990
(in thousands of dollars)

Activity: White House Exterior Restoration Expenses	1988 ACTUAL	1989 ACTUAL	1990 ESTIMATE	INCREASE DECREASE
White House Exterior Restoration:				
Stonework	2,400			
Exterior Windows			800	+800

Authorization: 3 U.S. Code 105, 109-110, 112-114

Objective: To complete exterior restoration of the White House in time for the bicentennial of the laying of the cornerstone, October 13, 1992.

Program:

The White House has from 30 to 50 layers of paint on its exterior walls. After several years of paint failure and increased maintenance costs, a research investigation by the National Bureau of Standards, an agency with world renowned expertise in the field of paint chemistry, was conducted in 1977. The National Bureau of Standards recommended that all paint be removed down to the bare stone; that deteriorated stone substrates be repaired; and that the exterior be repainted using a modern coating system.

The cornerstone of the White House was laid on October 13, 1792, at the direction of George Washington. The two hundredth anniversary of this historic occasion will occur in 1992. The Congress, in Fiscal Year 1988, appropriated $2,400,000 to conclude the restoration in time for the bicentennial.

Current Accomplishments:

The exterior restoration of the east wall and the north portico areas of the White House was completed in spring of 1981. The remaining walls, subject to more pronounced deterioration from weather exposure, will require more extensive stone repair and replacement. In 1988, paint was removed from the North Elevation and the east facade of the South Elevation. Extensive repair of the stone work on the North Elevation is underway. Repainting of the exposed surfaces on the North and South Elevations is scheduled for early Spring 1989.

Paint removal and stone repair work is scheduled through 1992 on the South and West Elevations to complete the project.

Budget Considerations:

$2,400,000 was appropriated in FY 88 to complete the restoration of the stone facade of the Executive Residence. $800,000 is requested to replace exterior windows in conjunction with the increased security of the windows by the U.S. Secret Service.

OPERATING EXPENSES
White House Exterior Restoration

IDENTIFICATION CODE 11-0210-0-1-802		1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE
Program by activities:				
	Direct Program:	1,765	180	490
	Reimbursable Program:	....	....	....
10.00	Total Obligations	1,765	180	490
Financing:				
	Offsetting collections from:			
11.00	Federal Funds	....	....	....
14.00	Non-Federal sources	....	....	....
21.00	Unobligated balance available, start of year	....	-635	-455
24.40	Unobligated balance available, end of year	635	455	765
25.00	Unobligated Balance lapsing	....	.....	.....
40.00	Budget Authority (Appropriation)	2,400	0	800
Relation of obligations to outlays:				
71.00	Obligations incurred, net	1,765	180	490
72.40	Obligations balance, start of year	0	1,458	785
74.40	Obligated balance, end of year	-1458	-785	-865
77.00	Adjustments in expired accounts	.....	.....	.....
90.00	Total Outlays	307	853	410

Note: Sums may not total due to rounding.

OPERATING EXPENSES
White House Exterior Restoration

IDENTIFICATION CODE 11-0210-0-1-802		1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE
Direct Obligations:				
	Personnel Compensation:			
11.1	Full-time permanent	.....	.....	.....
11.5	Other personnel compensation	.....	.....	.....
11.9	Total Personnel Compensation	0	0	0
	Other:			
12.1	Personnel benefits: civilian	.....	.....	.....
21.0	Travel and transportation of persons	.....	.....	.....
22.0	Transportation of things	.....	.....	.....
23.2	Communications, utilities, rent	.....	.....	.....
24.0	Printing and reproduction	.....	.....	.....
25.0	Other services	1,765	180	390
26.0	Supplies and materials	.....	.....	100
31.0	Equipment	.....	.....	.....
99.0	Subtotal, direct obligations	1,765	180	490
Reimbursable Obligations:				
11.5	Other personnel compensation	.....	.....	.....
23.2	Communication, utilities, rent	.....	.....	.....
24.0	Printing and reproduction	.....	.....	.....
25.0	Other services	.....	.....	.....
26.0	Supplies and materials	.....	.....	.....
99.0	Subtotal, reimbursable obligations	0	0	0
99.9	Total Obligations	1,765	180	490

Personnel Summary

Total number of full-time permanent positions	0	0	0
Total compensable workyears	0	0	0
Full-time equivalent workyears			
Full-time equivalent of overtime and holiday hours	0	0	0
Reimbursable:			
Full-time equivalent employment			
Full-time equivalent of overtime	0	0	0

Analysis of Activities
(Dollars in thousands)

	FY 1988 Amount	FY 1989 Amount	FY 1990 Amount	INCREASE (+) OR DECREASE (-) 1990 COMPARED WITH 1989
Operating Expenses	5,003	5,698	5,973	+ 275
White House Exterior Restoration	1/ 2,400		2/ 800	+ 800

1/ $2,400,000 appropriated for White House Exterior Restoration to remain available until expended. These funds will be obligated and expended over a five year period, FY 88 - FY 92.

2/ $800,000 requested for replacement of exterior windows.

STONE RESTORATION

Senator DECONCINI. Is that all on the north side there, where you indicated?

Mr. MCDANIEL. Yes; Mr. Chairman. The photographs at the bottom, Mr. Chairman, show areas that have been marked by the stone carver for replacement.

Senator DECONCINI. For restoration replacement?

Mr. MCDANIEL. Yes; and then these photographs show some of the scorch marks from the fire of 1812, when the British burned the White House.

Senator DECONCINI. Are you going to restore those?

Mr. MCDANIEL. They will be covered over with the paint, but they will not be cleaned.

Senator DECONCINI. They are going to just be painted?

Mr. MCDANIEL. Right.

Senator DECONCINI. I see. There is nothing wrong structurally with them, other than they are black?

Mr. MCDANIEL. That is right. That is correct.

Senator DECONCINI. From the scorch.

Mr. MCDANIEL. This is where stone has been removed; stone that has been marked as having deteriorated to the point of needing replacement.

Mr. STANTON. Just briefly, to give some of the details on the quality and the extent of workmanship that goes into preparing the individual stone; I just want to point that out.

Mr. MCDANIEL. Yes; Mr. Stanton mentioned the large pieces of stone like this, which incidentally are pieces of stone that were removed from the Capitol at one time.

Senator DECONCINI. Oh, is that right?

Mr. STANTON. All quarried from the same quarry.

Mr. MCDANIEL. What we have tried to do is make the restoration process as authentic as we can. And so, we used stone that was original to the Capitol and the White House that was quarried from Aquia Creek in the 1790's—this stone was removed during the construction on the West Front and has been in storage in Rock Creek Park for many years.

So with the permission of the Joint Committee overseeing this work, which incidentally was chaired by the former Vice President, now President Bush; and with the cooperation of the Architect of the Capitol, this stone was made available to us for use to restore the stone on the White House.

Senator DECONCINI. Very good. How much is the whole restoration going to cost?

Mr. STANTON. Well, thanks to the committee's efforts, $2.4 million were appropriated in fiscal year 1988. To date, we have expended roughly one-half of that to fund the progress we have made. As we pointed out earlier, we are continuing to discover greater deterioration than we anticipated.

At this time, we feel fairly comfortable that the balance of the appropriation will complete the job and will enable us to be proud of the White House in 1992 for the bicentennial celebration.

Senator DECONCINI. What you are telling me is, right now, you don't think you are going to need any more?

Mr. STANTON. Well, do not hold me to that, Mr. Chairman. We will certainly keep you apprised.

Senator DECONCINI. Are you going to need any more in 1990?

Mr. STANTON. For the restoration, I do not believe so.

Senator DECONCINI. If you do, you would have to come back to us if you discovered further problems?

Mr. STANTON. That is correct, sir.

Senator DECONCINI. Very good. Well, thank you, Mr. Stanton, very much. I have a few questions here on this portable stage that, just for the record, I will submit to you.

Mr. STANTON. Yes, sir.

FEDERAL DAY-CARE PLAYGROUND

Senator DECONCINI. Mr. Fish was very responsive to this committee in working with one of the Federal agencies on a day-care center site, and I know that a site center has been chosen.

Can you give me any update on that particular situation?

Mr. STANTON. Be happy to, sir. Yes; the site selected is commonly referred to as Walt Whitman Park.

Senator DECONCINI. Walt Whitman Park?

Mr. STANTON. Yes; it is right across from the Office of Personnel Management. We are, at this time, reviewing the plans and specifications that have been developed by an outstanding consultant. I was advised earlier this week that the Fine Arts Commission and the National Capital Planning Commission staffs have also reviewed the plans and specifications, along with our landscape architect and other specialists in my office.

If all goes well, we will be formally presenting the plans to those reviewing bodies, the Fine Arts Commission, and the National Capital Planning Commission, perhaps within a month. And barring any difficulty with those two planning bodies, we should be in a position to perhaps go contract for the actual development of the play area, I would suspect, around June or July.

But it is moving, as I am advised by my own staff, and is moving quite well.

Senator **DeConcini**. It is moving well?

Mr. **Stanton**. Yes; right.

Senator **DeConcini**. Is that going to include restroom facilities for the children? Was that ever resolved?

Mr. **Stanton**. It is my understanding that, because of the proximity to, say, the Office of Personnel Management, the General Services Administration, and certainly my own department, the Department of the Interior just right across the street, that they are still looking at whether or not it would be convenient and safe for the young people to move into those public facilities.

Senator **DeConcini**. So that has not been finally determined yet?

Mr. **Stanton**. No; it has not. I will check on that detail, sir, and report back to you.

Senator **DeConcini**. I just want to thank you for following Mr. Fish in getting this accomplished.

Mr. **Stanton**. Yes.

Senator **DeConcini**. I realize you have got many important things, but to the working parents in those agencies down there, it really is a great benefit to have an outdoor area for their children.

Mr. **Stanton**. It certainly will be.

Senator **DeConcini**. I am sure you have some people on your staff that are in that situation as well?

Mr. **Stanton**. That is correct.

Senator **DeConcini**. I have no further questions. I will submit the balance of the questions for the record. Senator Domenici has some as well. Thank you very much.

Mr. **Stanton**. Thank you.

Senator **DeConcini**. I look forward to working with you. Thank you.

Mr. **Stanton**. Thank you very much.

WHITE HOUSE HISTORICAL ASSOCIATION

Before I leave, Mr. Chairman.

Senator **DeConcini**. Yes, sir?

Mr. **Stanton**. Dr. Melvin Payne, who is the Chairman of our White House Historical Association, knew that we would be appearing before your committee; asked that we present to you and other members of the committee a collection of books done on the White House. These are items that are sold to the public by the Association, which is a private association set up to assist the Park Service to carry out its interpretive program.

Senator **DeConcini**. Thank you very much.

Mr. **Stanton**. Thank you very much.

Senator **DeConcini**. I appreciate it very much. They are very nice.

Senator **Reid**. Worth coming to the meeting for.

Mr. **Stanton**. I thank you, too, Senator.

Senator **DeConcini**. He is not even on the committee, and he is going to get a copy. [Laughter.]

Senator **DeConcini**. I will take one for Senator Domenici.

Mr. **Stanton**. Sure will. Thank you. [Laughter.]

Senator **DeConcini**. Thank you very much, Mr. Stanton.

Mr. **Stanton**. And just in case, here is another one. [Laughter.]

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. Thank you. We will have to take a look at them.

We will submit the balance of the questions for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

WINDOW REPLACEMENT PROJECT

Question. Mr. Stanton, your FY 90 budget request for the White House Residence is $1.075 million above the FY 89 enacted appropriation level. Your testimony indicates that the bulk of this $800,000 request is for the replacement of the window glass and wooden window components.

Can you tell us a little more about this project? How many windows will be replaced and what, if any, problems did you encounter in identifying a contractor to replace these windows?

Answer. In October of FY 88, the Executive Residence identified an urgent need for the replacement of window glass and frames in the Residence. During the 1948-1952 Renovation of the White House, the windows were replaced with historically accurate windows. Over the past 36 years, the wood frames have deteriorated due to normal weathering and usage. They show signs of dry rot and splitting which cannot be repaired without replacing the damaged wood completely. Due to the age of the windows, and the condition of the wood and weatherstripping, their energy efficiency is poor. Additionally, over the years, the entire supply of stock replacement glass has been exhausted, in order to replace broken or damaged panes.

The proposed window replacement program will replace all existing window wood with Honduras Mahogany, as recommended by the Architectural Woodwork Institute and as was original to the White House. Replacement glass will be formulated and manufactured to be identical in appearance to the historic glass. In addition, although we do anticipate some breakage, the historic window glass currently in the windows will be conserved for future use. A total of 147 windows will be replaced.

Over the past 15-20 years, the Executive Residence has experienced numerous difficulties in identifying a contractor to provide the replacement glass. The company that manufactured the glass for the 1948-52 Renovation had gone out of business. After a thorough Government and private search, no other glass company in the United States was found capable of producing the required glass. During the 1970's, however, three European countries -- Germany, England and France -- were discovered with the capability to supply the glass.

In the early 80's, the National Park Service conducted another search and was directed to Herbert Yudenfriend, President of Air Seal Insulating Glass Industries. Mr. Yudenfriend attempted to technically recreate the historic glass. Unfortunately, the test pane lacked the visual qualities of the original glass. Since then, it has been determined that the visual and optic qualities of the original glass are more important than the original process used. Mr. Yudenfriend, after conferring with his colleagues in glass research and production, is confident that a glass can be produced in the United States that will appear and age the same as the historic glass.

Question. What would be the impact of the Residence if the window replacement were to slip an additional year or two? Would this affect your commitments to the contractor?

Answer. During FY 88, the Executive Residence completely exhausted its stock of historic glass. Damaged windows have since been replaced with commercially produced modern glass, with a very noticeable difference in appearance that fails to meet the historic and aesthetic requirements.

To achieve the desired results, glass must be specially manufactured simulating old world manufacturing methods. The time required for research and development alone is estimated at 12 months. Therefore, a one year delay in funding will result in a two year delay in the actual window replacement. With funding in FY 90, we plan completion of the project to coincide with the 200th Anniversary of the Laying of the Cornerstone at the White House. A delay in funding would result in the exterior repairs to the White House extending beyond the target of the 200th Anniversary.

At present, while the Executive Residence is undergoing extensive exterior restoration, the U.S. Secret Service is planning to initiate a security project involving the windows. The Secret Service project will involve removal of casings and window frames and therefore the window replacement program needs to be scheduled to coincide with the security project. The timing of this project, in combination with the exhausted supply of replacement glass and deteriorated condition of the windows, makes it imperative that this project be funded in FY 90.

WOOD FLOORING REPLACEMENT

Question. An additional $125,000 is requested in your budget for the replacement of wood flooring in the Dining Rooms of the State Floor. This Committee recently provided funds for the replacement of flooring in the East and Parlor Rooms.

What additional flooring replacement is necessary in the residence? Has the full cost been assessed and if so, what are your replacement plans?

Answer. The replacement of the two Dining Room floors, completes the restoration of flooring installed on the State Level during the 1948-52 renovation. At this time, there are no plans for any additional flooring replacements.

SAVINGS

Question. Your budget documents state that the proposed $1.075 million increase will be partially offset by a savings of $183,000 in other areas. Can you please explain how you will achieve this savings?

Answer. Two transition related items funded in FY 1989 will not require funding in FY 1990. These items are $50,000 to refurbish the family quarters for the new first family and $139,000 for increased ceremonial functions. Furthermore, less overtime funding is anticipated due to the new chef position requested for FY 1990 and an expected decrease in the number of non-reimbursable events. Some of these savings are offset by general inflationary increases, resulting in net savings of $183,000.

PORTABLE STAGE AND PLATFORM REPLACEMENT

Question. Your justification states that $60,000 is needed in FY 90 to replace portable stages and press platforms used at the White House for press events. Can't the existing stages and platforms be refurbished? Have you considered this approach and if so, what were the estimated costs?

Answer. The stages and press platforms currently used by the Executive Residence were designed and custom built in early 1970 by Upright Scaffolds Company at a cost of approximately $25,000. Heat treated aluminum alloy is used for the framework, 3/4 inch plywood is used for the platform and then covered with high grade indoor/outdoor carpet. When constructed, the manufacturer anticipated a life expectancy of 12 to 15 years, depending on usage and the care taken in storage and transportation.

In FY 90, these stages and press platforms will have been in use for 20 years. The Executive Residence staff has taken excellent care of the stages and press platforms over the years, building special carts to transport them from storage at the Warehouse to the Residence. The primary reason for replacing them is metal fatigue. The wood and carpet have been replaced as needed over the years, but the aluminum alloy framework is original, and it is this component which cannot be refurbished, and requires replacement.

Question. How many platforms and stages do you plan to replace at a cost of $60,000?

Answer. The specific platforms scheduled for replacement are as follows:

10 units - 5 feet by 8 feet - 1 foot high
4 units - 5 feet by 6 feet - 1 foot high
4 units - 5 feet by 8 feet - 2 feet high
2 units - 5 feet by 7 feet - 2 feet high
9 units - 5 feet by 6 feet - 2 feet high
12 units - 5 feet by 8 feet - 3 feet high
4 units - 5 feet by 6 feet - 3 feet high

In addition to these units, steps and side pieces are required at each height level.

Question. What would be the impact if the project were to be deferred to FY 91 or later?

Answer. The major concern is safety. The metal used in the framework of the stages and press platforms has weakened over the many years of use. If the project is deferred, we will risk injury to those using the stages and press platforms.

ASSISTANT CHEF POSITION

Question. Your justification indicates that you plan to retain an additional assistant chef for $37,000 so that you may reduce overtime costs and the use of "Service by Agreement" chefs. How many chefs and assistant chefs currently serve the President?

Answer. There are presently a total of five chefs: one executive chef, three assistant chefs, and one pastry chef.

Question. How often do they work in an overtime capacity? What do you estimate the overtime costs to be in FY 89?

Answer. The overtime worked by the chefs is directly related to the number and timing of the official and ceremonial functions of the Presidency. The FY 89 estimate for the chefs' overtime is $54,000.

Question. I notice your justification also calls for the equivalent of 4 FTE's in personal service contract agreements. How does the projected FY 90 level compare to the FY 89? If the level is staying the same, how do you reconcile your justification for a new assistant chef to reduce these service costs?

Answer. We estimate a savings of $22,000 in the total use of Service by Agreement (SBA) employees. Of this $22,000, we estimate that $10,000 to $15,000 is attributable to reduced reliance on SBA chefs. In addition, a savings of approximately $15,000 is expected due to reduced kitchen overtime costs. The additional position of Assistant Chef is needed, not only to reduce overtime and SBA costs, but also for security reasons. Any person involved in handling food served to the President and his official guests, must receive a full security clearance. At present, there are only two SBA chefs who have both the qualifications and the security clearance necessary to prepare food at the White House. The limited availability of qualified SBA chefs places the kitchen staff under enormous strain -- especially if either of the two SBA chefs is unavailable due to illness (as recently happened) or for other reasons.

COMPUTER TECHNOLOGY

Question. Your testimony indicates that the increase of $47,000 in your FY 90 budget request is for the acquisition of computers to inventory the White House Fine Arts Collection. Can you explain to the committee why these funds are necessary and why your present inventory system is inadequate?

Answer. The Executive Residence currently maintains its inventory of all items in the White House and the White House Fine Arts Collection through a National Park Service contract with the Boeing Corporation for use of mainframe computer, computer program, and related software. This system has been in use for many years, and is severely limited in terms of flexibility of information retrieval, and the types of reports it is able to generate. The

Executive Residence utilizes outdated IBM Displaywriters, which are no longer serviceable, to interface with the Boeing mainframe computer via a landline modem.

The Boeing system is primarily used to provide a variety of accounting reports for the National Park Service, and the White House inventory represents a very small portion of the total scope of work. The NPS plans to implement a new accounting system, and will terminate its contract with the Boeing Corporation in FY 90. The Boeing Corporation will at that time terminate its associated services to all users, and the White House inventories will have to be transferred to another system.

The curatorial staff at the Executive Residence, with assistance from computer specialists, has determined that the use of micro computers, networked to a single central processing unit, will be more cost effective over the long term and will allow more flexibility in terms of information retrieval and reporting. The $47,000 requested is for non-recurring equipment purchases.

Question. Why must these funds be provided in FY 90, and what would be the impact if this project were to be deferred for another year?

Answer. As previously mentioned, the NPS plans to implement a new accounting system, and will terminate its contract with the Boeing Corporation in FY 90. At that time, the Boeing Corporation will terminate its associated services to all users. If the project were to be deferred for another year, the Executive Residence would be without a computerized inventory system of all items in the White House and the White House Fine Arts Collection.

REPLACEMENT OF HOUSEHOLD SUPPLIES AND EQUIPMENT

Question. Your budget justification indicates that an additional $57,000 is needed in FY 90 to purchase replacement bed and table linens, and other items. Can you provide the Committee with a detailed estimate of the cost of the specific household items that you plan to replace in FY 90?

Answer. Items to be purchased are:

(1) replacement of bed linens, table linens, and assorted towels that have been in use since 1981 - $16,000;
(2) required supplies and equipment for the new water filtration/security system - $20,000;
(3) chemicals for the chill water and the cooling tower air conditioning systems - $3,700;
(4) varicel filters for the heating and air conditioning blower fans - $3,600;
(5) general laundry and cleaning supplies including soap powder, dishwashing liquid, bleach, trash bags, mops, buffer pads, silver polish, etc. - $13,700.

Question. Your FY 90 budget request also contains an increase of $44,000 to replace obsolete household equipment. Again, can you provide the committee with a detailed estimate of the costs of the specific equipment items you plan to replace in FY 90?

Answer. This is our acquisitions account. The following acquisitions are planned:

(1) replacement of temporary wooden pedestals with marble pedestals for permanent display on the State Floor and Ground Floor of the White House - $20,000
(2) industrial table saw - $9,000.
(3) replacement commercial dishwasher with heated blower - $5,500
(4) pots, containers, and candlesticks for use in floral displays - $5,000
(5) Combination steam cleaner/pressure washer - $2,000.
(6) C.A.T. pipe locater - $1,500. Replacement air conditioning window units - $1,000.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

ASSISTANT CHEF POSITION

Question. The Fiscal Year 1990 request includes an increase of $37,000 for an additional permanent position of Assistant Chef at the White House which the budget justification indicates is needed to lessen the kitchen overtime costs and reduce use of "Service by Agreement" Chefs. What savings in overtime and contract agreement costs associated with this additional position are included in the Fiscal Year 1990 request?

Answer. The additional position of Assistant Chef is needed not only to reduce overtime and Service by Agreement (SBA) costs, but also for security reasons. Any person involved in handling food served to the President and his official guests, must receive a full security clearance. At present, the White House has one executive chef and four assistant chefs. The limited availability of qualified SBA chefs places the kitchen staff under enormous strain -- especially if either SBA chef is unavailable due to illness (as recently happened) or for other reasons. We estimate savings of approximately $15,000 due to reduced overtime and $10,000 to $15,000 from reduced reliance on SBA chefs. Of course, these savings will ultimately depend on the number of Official and Ceremonial Functions of the Presidency.

COMPUTER TECHNOLOGY

Question. An increase of $47,000 is requested for Fiscal Year 1990 to computerize the historical records and inventory of all items in the White House and the White House Fine Arts Collections. What system is currently used for these purposes?

Answer. The Executive Residence currently maintains its inventory of all items in the White House and the White House Fine Arts Collection through a National Park Service contract with the Boeing Corporation for use of mainframe computer, computer program, and related software. This system has been in use for many years, and is severely limited in terms of flexibility of information retrieval, and the types of reports it is able to generate. The Executive Residence utilizes outdated IBM Displaywriters, which are no longer serviceable, to interface with the Boeing mainframe computer via a landline modem.

The Boeing system is primarily used to provide a variety of accounting reports for the National Park Service, and the White House inventory represents a very small portion of the total scope of work. The NPS plans to implement a new accounting system, and will terminate its contract with the Boeing Corporation in FY 90. The Boeing Corporation will at that time terminate its associated services to all users, and the White House inventories will have to be transferred to another system.

The curatorial staff at the Executive Residence, with assistance from computer specialists, has determined that the use of micro computers, networked to a single central processing unit, will be more cost effective over the long term and will allow more flexibility in terms of information retrieval and reporting. The $47,000 requested is for non-recurring equipment purchases.

INVENTORY SUPPLIES

Question. An increase of $57,000 is proposed in Fiscal Year 1990 for inventory purchases. The Budget justification indicates that some stock items are in short supply because inventory purchases have been deferred for several years to fund pay raises and other urgent needs. How many years has this funding been deferred for inventory purchases? Please specify the Fiscal Year and amount of funding deferred.

Answer. In FY 86, $197,000 was withdrawn from the Executive Residence budget in order to meet the requirements of P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, commonly known as Gramm-Rudman-Hollings. The major impact of this cut was to greatly reduce the amount of stock supplies and materials maintained for the Executive Residence.

In FY 87 and FY 88, a combined total of $137,000 in increased pay costs needed to be absorbed with the major impact once again being upon supply and material purchases. Since that time, inventory supplies have been barely sufficient to meet the needs of the Residence. Because supplies and materials inventory have reached a critical point, the FY 1989 absorption of the $135,000 in pay raise costs was accomplished through deferral of budgeted floor replacement and several curatorial projects.

FY 1989 PAY INCREASE

Question. The Budget Justification indicates that the floor replacement project and several painting conservation projects planned in fiscal year 1989 were deferred due to absorption of the fiscal year 1989 pay increase. The fiscal year 1990 request includes only 25% of the amount necessary to annualize the fiscal year 1989 pay increase. Are you able to absorb the rest of these costs without deferring funding required for other needs in fiscal year 1990?

Answer. In requesting funds for the floor replacement project and the painting conservation projects planned in fiscal year 1989, we are requesting restoration of funding for projects deferred to absorb the FY 89 pay increase. Therefore, only the 25% required to annualize the pay increase is needed.

SAVINGS

Question. The Fiscal Year 1990 request included $183,000 in savings. What specific areas are proposed to receive reduced funding?

Answer. Two transition related items funded in FY 1989 will not require funding in FY 1990. These items are $50,000 to refurbish the family quarters for the new first family and $139,000 for increased ceremonial functions. Furthermore, less overtime funding is anticipated due to the new chef position requested for FY 1990 and an expected decrease in the number of non-reimbursable events. Some of these savings are offset by general inflationary increases, resulting in net savings of $183,000.

EXTERIOR RESTORATION OF THE WHITE HOUSE

Question. Of the $2.4 million provided to complete the exterior restoration of the White House in Fiscal Year 1988, how much was obligated in Fiscal Year 1988 and what portion of these funds do you expect to obligate in each of Fiscal years 1989 and 1990? Do you expect the $2.4 million provided to be adequate to complete the exterior stonework renovation?

Answer. During Fiscal Year 1988, $1.8 million of the appropriated amount was obligated. The major portion of these funds was for the multi-year stonework contract, and these funds will be expended over the course of this five year project, as the stonework actually progresses. In Fiscal Year 1989, we expect to obligate an additional $180,000, and in Fiscal Year 1990, $190,000.

At this point, we do expect the $2.4 million provided to be adequate to complete the exterior stonework restoration. However, until all the painted surfaces of the White House have been stripped, we will not be able to fully evaluate the extent of stone restoration still needed.

Question. The Fiscal Year 1990 request includes $800,000 for restoration of the White House Residence exterior windows. If this funding is provided, when would you expect this work to be completed?

Answer. If this funding is provided, we would expect this work to be completed in 1992, in time for the 200th anniversary of the laying of the cornerstone of the Executive Residence, and in conjunction with the exterior restoration project.

PRESIDENTIAL TRANSITION COSTS - EXECUTIVE RESIDENCE

Question. In Fiscal Year 1989, $1.18 million was provided, as requested, for costs related to the Presidential transition - $650,000 for the White House Office, $280,000 for the Executive Residence and $250,000 for the Office of Administration.

At the time the request was made, a 75% changeover in personnel staff at the White House Office, requiring $450,000 in personnel compensation costs was assumed. Is this proving to be an accurate assumption?

Answer. The Executive Residence projected no changeover in personnel staff and none has taken place.

Question. Do you expect the $1.18 million provided for transition expenses to be obligated for these purposes by the end of Fiscal Year 1989? How much is being spent for personnel compensation costs and how much is being spent on non-personnel expenses related to the transition?

Answer. The Executive Residence FY 1989 budget included $189,000 for costs related to the Presidential transition. All transition related funds are projected to be obligated by the end of the current fiscal year. A total of $80,000 is projected for personnel compensation and $109,000 for non-personnel expenses.

NATIONAL CRITICAL MATERIALS COUNCIL

STATEMENT OF THOMAS G. MOORE, ACTING CHAIRMAN

ACCOMPANIED BY PERRY LINDSTROM, ACTING EXECUTIVE DIRECTOR

INTRODUCTION OF WITNESS

Senator DECONCINI. Our next panel will be the National Critical Materials Council. Mr. Thomas Moore, Acting Chairman of the Council, will be our lead witness.

Welcome to the subcommittee, Mr. Moore, and thank you for waiting for us. Senator Reid wanted to be with us, too. Please sit down. I want to point out that Senator Reid, from Nevada, who has some particular questions relating to this, has joined us. We will let him go first with questions as soon as we hear your opening statement. Your full statement will appear in the record.

Mr. Moore.

Mr. MOORE. Thank you, Senator. I would like to first introduce Perry Lindstrom, who is the Acting Executive Director of the Council. It is a pleasure to be here with you today to discuss the National Critical Material Councils.

The National Critical Materials Council is in the $136 billion package of residual programs that the administration would like to negotiate with the Congress. The administration's objective is to ensure that aggregate spending for this group of programs in fiscal year 1990 does not exceed $136 billion, but we are flexible as to the level of funding for a given program, including the Council.

The Reagan administration proposed that the Council not receive funding for fiscal year 1990. This request is consistent with a proposal that would abolish the Council and transfer its current functions to the Office of Science and Technology Policy and to the Department of Interior.

The Bush administration has adopted this proposal as its starting point with negotiations with the Congress, as it has with all programs in the so-called residual pot.

Specifically, the proposal would provide that the OSTP coordinate advanced materials research and development among various Federal departments and agencies, advise the President on advanced materials research and development matters, including the availability of scientists of engineers in the field; and submit a report to the President and the Congress every 2 years that describes Federal advanced materials research and development activities.

Coordination of Federal research and development policies and programs is a long-standing responsibility of OSTP. OSTP has worked with Federal agencies, private sector firms, universities, and officials of foreign countries in performing this important function. OSTP has the staff expertise, working relationships, and institutional prestige to carry out this important task effectively and efficiently.

The Bush budget includes a major funding increase for OSTP to better enable it to perform its role, including priorities such as coordinating superconductivity, advanced materials, and research and development activities. The proposal would also require the Secretary of the Interior to submit a report to the President and Congress every 2 years, providing a domestic inventory of critical materials, projection of Government and industry needs, and a long-range assessment of critical materials problems facing the country.

The report will be prepared in close consultation with other Federal agencies having key responsibilities in this area, including the Department of Defense, Commerce, Energy, and others. The Secretary would also advise the President on mineral and material trends, and their economic and strategic implications to the Nation.

The Department of Interior has an excellent analytical capability to assess critical mineral and material markets in judging whether serious future supply problems could arise. With regard to the coordination of mineral and materials policies that cut across agency lines, the Bush administration will rely on the Economic Policy Council and the Domestic Policy Council. These Executive Office of the President coordinating bodies will assure that on a wide range of issues, the President and his Cabinet are involved in the decision-making process and have the best available information and advice in making decisions.

The Council has issued two reports required by law, one on critical materials and the other an advanced material program plan. In preparing these documents, the Council received extensive input, especially from the Bureau of Mines in the Department of Interior, as well as other Government agencies and private sector representatives on many critical and advanced material issues.

Based on that working experience, the Council has concluded that parts of its mandate are neither feasible nor constructive. The Council Planning Authority over the advanced material research of other Federal agencies runs counter to the mission orientation of Federal departments and agencies. Research projects are inseparable from the responsibilities and missions of the agencies. Superimposing Council material research priorities on long-established agency planning and budgetary mechanisms is not practical.

For reasons such as this, certain responsibilities of the Council require changing and, in revised form, can be carried out best through the existing capabilities of the OSTP and through the Department of Interior. This special purpose council may not be necessary and seems to duplicate the work of other agencies and coordinating bodies. These are preliminary reactions. Designated administration officials will work with you and other members in negotiating specific funding levels for the programs that are in the $136 billion category that includes the Council.

PREPARED STATEMENT

This ends my opening statement. I will be happy to answer any questions.

[The statement follows:]

STATEMENT OF THOMAS G. MOORE

It is a pleasure to be with you today to discuss the National Critical Materials Council. The National Critical Materials Council (the Council) is in the $136 billion package of residual programs that the Administration would like to negotiate with the Congress. The Administration's objective is to ensure that aggregate spending for this group of programs for fiscal year 1990 does not exceed $136 billion, but we are flexible as to the level of funding for a given program, including the Council.

The Reagan Administration had proposed that the Council not receive funding for fiscal year 1990. This request is consistent with a proposal that would abolish the Council and transfer its current functions to the Office of Science and Technology Policy of the Executive Office of the President (OSTP) and to the Department of the Interior (DOI). The Bush Administration has adopted this proposal as its starting position for negotiations with the Congress, as it has with all programs in the so-called "residual pot."

Specifically, the proposal would provide that the OSTP: (1) coordinate advanced materials research and development among various Federal departments and agencies; (2) advise the President on advanced materials research and development matters, including the availability of scientists and engineers in the field; and (3) submit a report to the President and Congress every two years that describes Federal advanced materials research and development activities.

Coordination of Federal research and development policies and programs is a longstanding responsibility of OSTP within the Executive Office of the President. OSTP has worked with Federal agencies, private sector firms, universities, and officials of foreign countries in performing this important function. OSTP has the staff expertise, working relationships, and institutional prestige to carry out this important task effectively and efficiently. The Bush budget includes a major funding increase for OSTP to better enable it to perform its role including priorities such as coordinating superconductivity, advanced materials, and research and development activities.

The proposal would also require the Secretary of the Interior to submit a report to the President and the Congress every two years providing a domestic inventory of critical materials, projections of Government and industry needs, and a long-range assessment of critical materials problems facing the country. The report would be prepared in close consultation with other Federal agencies having key responsibilities in this area, including the Departments of Defense, Commerce, Energy, and others. The Secretary would also advise the President on mineral and material trends and their economic and strategic implications to the Nation. The DOI has an excellent analytic capability to assess critical mineral and material markets in judging whether serious future supply problems could arise.

With regard to the coordination of mineral and materials policies that cut across agencies' lines, the Bush Administration will rely on the Economic Policy Council and the Domestic Policy Council. These Executive Office of the President coordination bodies will assure that on a wide range of issues, the President and his cabinet are involved in the decision-making process and have the best available information and advice in making decisions.

The Council has issued two reports required by law--one on Critical Materials and the other an Advanced Materials Program Plan. In preparing these documents, the Council received extensive input--especially from the Bureau of Mines in the Department of the Interior, as well as other government agencies and private sector representatives--on many critical and advanced materials issues. Based on that working experience, the Council has concluded that parts of its mandate are neither feasible nor constructive.

The Council's planning authority over the advanced materials research work of other Federal agencies runs counter to the mission orientation of Federal departments and agencies. Research projects are inseparable from the responsibilities and missions of the agencies. Superimposing Council materials research priorities on long-established agency planning and budgetary mechanisms is not practical. For reasons such as this, certain responsibilities of the Council require changing and in revised form, can be carried out best through the existing capabilities of the OSTP, and through the DOI.

This special-purpose Council may not be necessary and seems to duplicate the work of other agencies and coordinating bodies. These are preliminary reactions. Designated Administration officials will work with you and other members in negotiating specific funding levels for the programs that are in the $136 billion category that includes the Council.

This ends my opening statement, I welcome any questions you may have.

I. GENERAL STATEMENT

Executive Office of the President
National Critical Materials Council

The National Critical Materials Council was created by the National Critical Materials Act of 1984, with a wide variety of purposes and statutory obligations, including the following responsibilities:

1. To help establish and coordinate federal materials-related policies, programs, and research and technology activities. To advise the President on materials issues, as appropriate.

2. To review federal compliance with the 1980 Materials Policy Act.

3. To evaluate critical materials needs, including the supply of materials, scientists and engineers, in consultation with the academic community.

The Council is currently comprised of an Acting Chairman, Thomas G. Moore, who is a member of the Council of Economic Advisors. The Executive Director and support staff conduct the Council's day-to-day business. The Council has been operating since January 1986.

The Council has prepared two congressionally mandated reports, the Critical Materials Report and the Advanced Materials Program Plan. The Critical Materials Report includes an analysis of individual commodities and cross-cutting issues that affect minerals availability.

The Advanced Materials Program Plan presents the materials research programs of six federal agencies, Energy, Defense, Interior, NASA, National Science Foundation, and the National Institute of Standards and Technology. The Program Plan also reviews technical constraints which can affect the development of advanced materials. Issues such as technology transfer, adequacy of the U.S. educational institutions in the materials area, and communication and coordination among industry, academia, and Government in materials research are also covered by the plan.

The National Critical Materials Council budget is in the $136 billion package of residual programs that will be negotiated with Congress. The Administration's objective is to ensure that aggregate spending for this group of programs for fiscal year 1990 does not exceed $136 billion, however, there is flexibility as to the level of funding for a given program.

In the course of preparing the reports and conducting general business, the Council has concluded that parts of its mandate are neither feasible nor constructive. For example, the Council's planning authority over the advanced materials research work of other Federal agencies runs counter to the mission orientation of Federal departments and agencies. Superimposing Council materials research priorities on long-established agency planning and budgetary mechanisms is not practical.

For the above reasons, the Reagan Administration proposed to transfer certain key function of the Council to the Office of Science and Technology Policy (OSTP) and the Department of Interior (DOI) and phase out the Council. On the merits, this proposal appears to offer a number of advantages.

Specifically, the proposal would provide that the OSTP: (1) coordinate advanced materials research and development among various Federal departments and agencies; (2) advise the President on advanced materials research and development matters, including the availability of scientists and engineers in the field; and (3) submit a report to the President and Congress every two years that describes Federal advanced materials research and development activities.

Coordination of Federal research and development policies and programs is a longstanding responsibility of OSTP within the Executive Office of the President. OSTP has worked with Federal agencies, private sector firms, universities, and officials of foreign countries in performing this important function. OSTP has the staff expertise, working relationships, and institutional prestige to carry out this important task effectively and efficiently. The Bush budget includes a major funding increase for OSTP to better enable it to perform its role including priorities such as coordinating superconductivity, advanced materials, and research and development activities.

The proposal would also require the Secretary of Interior to submit a report to the President and the Congress every two years providing a domestic inventory of critical materials, projections of Government and industry needs, and a long-range assessment of critical materials problems facing the country. The report would be prepared in close consultation with other Federal agencies having key responsibilities in this area, including the

Departments of Defense, Commerce, Energy, and others. The Secretary of Interior would also advise the President on mineral and material trends and their economic and strategic implications to the Nation.

The DOI has an excellent analytic capability to assess critical mineral and material markets in judging whether serious future supply problems could arise.

With regard to the coordination of mineral and materials policies that cut across agencies' lines, the Bush Administration will rely on the Economic Policy Council and the Domestic Policy Council. These Executive Office of the President coordination bodies will assure that on a wide range of issues, the President and his cabinet are involved in the decision-making process and have the best available information and advice in making decisions.

For these reasons, the special-purpose NCMC may not be necessary and seems to duplicate the work of other agencies and coordinating bodies.

II. SUMMARY OVERVIEW

Executive Office of the President
National Critical Materials Council

For FY 1990, the National Critical Materials Council requests an appropriation of $0 which is $225,000 less than our FY 1989 budget authority.

National Critical Materials Council

Budget Overview
(Dollars in 000s)

11-0111-0-1-802	Actual FY 88	Estimated FY 89	Estimated FY 90	Net Change FY88-89
Budget Authority:				
Appropriation	$350	$225	-0-	-$225
Employment:				
FTP	0	0	0	0
Total FTE	0	0	0	0

III. APPROPRIATION LANGUAGE

Executive Office of the President
National Critical Materials Council

[Salaries and Expenses]

[For necessary expenses of the National Critical Materials Council including activities as authorized by Public Law 98-373; $225,000. (Executive Office Appropriations Act, 1989.)]

National Critical Materials Council
Salaries and Expenses

Program and Financing (in thousands of dollars)

11-0111-0-1-802	FY 88 Actual	FY 89 Estimate	FY 90 Estimate
Program by activities:			
10.00 Total obligations	273	225	0
Financing:			
25.00 Unobligated balance lapsing	77	0	0
40.00 Budget Authority	350	225	0
Relation of obligations to outlays:			
71.00 Obligations incurred, net	273	225	0
72.40 Obligated balance, start of year	67	139	22
74.40 Obligated balance, end of year	(139)	(22)	0
77.00 Adjustments in expired accounts	0	0	0
90.00 Outlays	200	342	22

National Critical Materials Council

Program and Performance

The National Critical Materials Council assists in the coordination of materials policies and programs and works with the various agencies with mineral and materials policy and program responsibilities.

National Critical Materials Council
Salaries and Expenses

Object Classification (in thousands of dollars)

11-0111-0-1-802		FY 88 Actual	FY 89 Estimate	FY 90 Estimate
	Personnel compensation:			
11.8	Special personal services payments	185	185	0
11.9	Total personnel compensation	185	185	0
21.0	Travel & transportation of persons	8	5	0
23.1	Rental Payments to GSA	25	14	0
23.3	Communications, utilities, and miscellaneous charges	4	3	0
24.0	Printing & reproduction	13	10	0
25.0	Other services	14	3	0
26.0	Supplies & materials	9	4	0
31.0	Equipment	15	1	0
99.9	Total obligations	273	225	0

National Critical Materials Council
Salaries and Expenses

Personnel Summary*

11-0111-0-1-802	FY 88 Actual	FY 89 Estimate	FY 90 Estimate
Total number of full-time permanent positions	0	0	0
Total compensable workyears: Full-time equivalent employment	0	0	0

*The Executive Director and other staff are on reimbursable detail from other government agencies.

National Critical Materials Council
Salaries and Expenses

Detail of Permanent Positions*

11-0111-0-1-802	FY 88 Actual	FY 89 Estimate	FY 90 Estimate
Ungraded	0	0	0
Total permanent positions	0	0	0
Unfilled positions, end of year	0	0	0
Total permanent employment, end of year	0	0	0

*The Executive Director and other staff are on reimbursable detail from other government agencies.

SUMMARY TABLE

Executive Office of the President
National Critical Materials Council

Summary of Budget Authority by Object Class
FY 1988-1990

11-0111-0-1-802

BUDGET OVERVIEW
(in thousands of dollars)

	Actual FY 88	Estimated FY 89	Estimated FY 90	Net Change FY 89-90
Personnel compensation:	185	185	0	-185
Special personal services payments	185	185	0	-185
Total personnel compensation*	185	185	0	-185
Personnel benefits: Civilian	0	0	0	0
Travel & transportation of persons	8	5	0	-5
Rental payments to GSA	25	14	0	-14
Comm., util., & misc. chgs.	4	3	0	-3
Printing & reproduction	13	10	0	-10
Other services	14	3	0	-3
Supplies & materials	9	4	0	-4
Equipment	15	1	0	-1
Total direct program	273	225	0	-225
Lapse	77	0	0	0
Budget Authority	350	225	0	-225

*Reimbursement to other government agencies for detailees

V. EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS FOR FY 1990

Executive Office of the President
National Critical Materials Council
(in thousands of dollars)

I. Decrease from FY 1989 Authority -$225

FY'89	FY'90		Net change
$185	$0	Personnel compensation and benefits	-$185
		These funds will not be needed for the Council's staff since the functions will be transfered to the OSTP and the Department of the Interior. The functions will be performed by the staff of those organizations.	
$5	$0	Travel and Transportation of persons	-$5
		Travel budget provided by OSTP and the Department of Interior.	
$14	$0	Rental Payments to GSA (SLUC)	-$14
		Additional rental space not needed since functions will be performed by OSTP and DOI staff.	
$3	$0	Communications, utilities, and miscellaneous charges	-$3
		Monies for utilities not needed.	
$10	$0	Printing and reproduction	-$10
		Printing of mandated reports is completed, additional reports will be funded from OSTP or DOI budgets.	
$3	$0	Other services	-$3
		Other services not needed.	
$4	$0	Supplies and materials	-$4
		Supplies and materials not needed.	
$1	$0	Equipment	-$1
		No additional equipment needed.	
$225	$0	Total all object classes	-$225

Senator **DeConcini**. Thank you very much for your statement. Senator Reid.

Senator **Reid**. Thank you very much, Mr. Chairman, for allowing me to participate in this subcommittee hearing. Mr. Chairman, since my days in the House, I have been working to establish a long-term policy on minerals and critical materials.

It has been a long, arduous fight. I thought when we got an amendment to the Trade Bill, we were headed in the right direction. In effect, the amendment said that the President would have to appoint to the National Critical Materials Council the people that Congress indicated he should.

Mr. Chairman, with what is going on in Alaska, with the oil spill there that is certainly going to throw a kink into our energy policy, I think it should bring attention to the fact that we still do not have an energy policy in this country today. It should, with at least two Senators from the West, throw up a red flag that someday, we are going to run into some problems of a critical nature regarding minerals. We need a long-term mineral policy. We do not have one. We are doing nothing to develop it.

With the $1 trillion budget that we have, I think that we should get the show on the road here and have a Critical Materials Council which would work with setting up a long-term policy with minerals and some of the critical materials we have, including superconductivity.

With that brief statement, Mr. Chairman, I would like to ask a couple of questions. Mr. Moore, the administration has opposed the Council since its inception; and I say administration—the Reagan administration opposed it, and now it appears the Bush administration is opposing it—why then has it waited until now to propose legislation distributing its duties to other agencies? This is going on 9 years.

Mr. **Moore**. Senator, I beg to differ. This Council was formed in 1985. In fact, I was one of the first people appointed to it in the fall of 1985. It has only been going on 4 years.

Senator **Reid**. But, of course, debate went on long before that to get one established; so let us say for 4 or 5 years, then.

Mr. **Moore**. The Reagan administration did, in their last budget, propose the phasing out of, or the zeroing out, of the Council in 1990. So, the recommendation is not just from the Bush administration, we tried to make it work for 3 years.

Senator **Reid**. Mr. Moore, how do you mean you tried to work? There were not even people appointed to the commission. How could it work with nobody being appointed? The only person appointed was some political hack from California, that had no experience at all dealing with minerals, superconductivity. So tell me how you attempted to make it work, when they did not even appoint the people?

Mr. **Moore**. I am not sure who you are talking about; but the three members of the commission were appointed——

Senator **Reid**. The first Executive Director?

Mr. **Moore**. Well, he came from the Commerce Department. I did not consider him a political hack, whatever that means. He was over in the Commerce Department; and he was knowledgeable about minerals. But in any case, the commission members——

Senator **Reid**. Well, this is the first time I have ever heard anyone say that he was knowledgeable about minerals. So could you supply me for the record his knowledge about minerals?

Mr. **Moore**. Oh, oh, wait a minute. I am sorry. I am sorry. Brian Benson, you are talking about?

Senator **Reid**. You got that right.

Mr. **Moore**. Oh.

Senator **Reid**. Would you give me his resume, his experience in minerals?

Mr. **Moore**. Frankly, I do not know what his experience was in minerals. I was not thinking of him.

Senator **Reid**. Bob Wilson tried. I think he did try to do a commendable job. I had a number of meetings with him. But, frankly, he left.

Mr. **Moore**. Yes; I know he did.

Senator **Reid**. Frankly, because he had nobody to work with. There was no money appropriated.

Mr. **Moore**. Well, the money was appropriated. The Congress appropriated the money.

Senator **Reid**. Which was never used. We had certain appointments that were to be made, and they were not filled. Finally, we had an amendment to the Trade Bill that indicated that the President should do this.

Mr. **Moore**. The Trade Bill called for us to hire five people; but the Congress appropriated only $225,000 which, in our view, in fact, could only carry three people—cover three people—and that is who we had on the payroll. So we had no money to hire any additional staff. The Congress had not appropriated any money, this Committee has not appropriated any more money to hire those additional people.

Senator **Reid**. Mr. Moore, if I read your statement correctly, it is not the coordination of minerals and materials policy you oppose; rather, you oppose a coordination of these policies by this Council. Is that a fair statement?

Mr. **Moore**. I do not believe that anybody outside the President can, in fact, instruct the various Government agencies on what their priorities are going to be. It is a very difficult task for any agency, especially a small one like the Council, to try to get to various agencies to coordinate in any sense.

We did try to talk to the agencies. We got their budget submissions in terms of R&D on critical materials. But the agencies have specific missions; and their R&D budgets are designed to fulfill those missions. Therefore, they will listen to us; but there is not too much that we can do to order other agencies around.

Senator **Reid**. The OSTP is also a fairly small office, with responsibilities across all scientific disciplines. Under the legislation floated by the administration, OSTP is slated to receive the balance of the Council's duties.

Why would the OSTP, with its broad mission, pay attention to material issues when the Council with materials policies, its only mission, did not?

Mr. Moore. Well, the OSTP is concerned, also, with important science and technological policy issues; and which, I believe, that materials issues are an important set of those scientific research and technological issues. They would, in fact, as part of their mandate, carry that out. I believe they would carry out what the law says. It is also an important science and technological issue. It is a very high-tech material issue. You mention superconductivity, and that is a very important issue.

Senator Reid. On page 2 of the statement that you read to us, you said that the Council has planning authority over the materials research work of other agencies, and further state this is not practical. My review of the act found that Council had no such authority; that is, not such authority over other agencies.

Can you provide the provision of the law that grants this type authority to the Council? Do you understand the question, Mr. Moore?

Mr. Moore. I understand the question. As a practical matter, we do not have any authority.

Senator Reid. I do not think there is any legal authority.

Mr. Lindstrom. Well, there is some mention in there about developing with OMB the priorities for the budgets of research and that sort of thing. So I think it has to do with working with OMB on those things. I don't think the Council is given independent authority—but we would have to look at that.

Senator Reid. Your Council was set up to be a coordinating body; similar, I guess, to the National Security Council, rather than a decision-making and policy-making body. Is that your understanding?

Mr. Moore. Well, it does not work that way. We do not have the same structure. For the National Security Council, decision issues that cut across many areas get funneled through the National Security Council. The Council is not set up, nor can it really perform that kind of function. Most of these issues are internal to a particular agency.

Senator Reid. Mr. Moore, my point is, should they be? If, and I know it is a debatable question, critical materials is something that is high-priority for this Government, should we not try to rectify this Council rather than to try to say that it is not necessary? Because my fear is that we have been going on here for many, many years, and we have not set up a policy for critical minerals and materials. I just think if we put it over with OSTP, that it will just get lost there like it has been lost everyplace else.

The point I am making; would not we be better off trying to strengthen this Council so that it would be possible to set some priorities for this Government with minerals and materials?

Mr. Moore. Well, first, Senator, I do not agree that this is more important than electronics or biotechnology or a lot of other very important science issues. I think it is an important science issue. But I think there are a great many such science issues. And OSTP is—the science advisor—is in a much better position to weigh the priorities of these various areas.

Second, I do not think, from my own experience in this Council—and I have been with the Council since it started.

Senator Reid. Since 1985.

Mr. **Moore**. Since 1985; since is started. I do not think that it is practical—and I don't think if we had a larger staff—it would not help us be able to coordinate. We cannot get the various Government agencies which are, as you know, largely fiefdoms unto themselves, to coordinate their policies. They have their own mission, and they are going to carry out that mission.

Whether you have a Council with a staff of three, or a Council staff of five, or a Council staff of 20, you are not going to get these agencies to do more than pay lip service to you. It is just not practical.

Senator **Reid**. If I understand your answer, Mr. Moore, you feel that the mandate or the mission given to this Council that was set up in 1985, is important, but not any more important than—you say—electronics or biochemistry? It is important, but not more so. And second, it would not matter the size of the staff, because you could not get anything out of the other Governmental agencies anyway; is that fair?

Mr. **Moore**. In terms of getting them to change their policies.

Senator **Reid**. What then do you feel it would take to get these agencies to change their policy regarding critical materials?

Mr. **Moore**. Well, I would say that the Oversight Committees of the Congress could, in fact, induce them to change their policies. The Oversight Committee for each of the agencies has a very powerful influence on what the agencies do.

Senator **Reid**. Well, Mr. Moore, I am not going to take any more time of the subcommittee, other than to say that there was recently a meeting held, a joint industry meeting, held here on critical materials in Washington. They listed a number of things that the Critical Materials Council should be working on, and that what has happened in the past is just what is happening here, nothing; that governmental agencies feel that they have got other things that are more important. That is why we have done nothing, relatively nothing, to develop these areas. That is why we are falling behind, for example, in superconductivity, other nations in the world.

Mr. **Moore**. I might say that I do not think we are falling behind. We innovated in the area, and we are still ahead. We have several agencies, including the Council, involved in superconductivity. We are staffing the new Superconductivity Commission; OSTP is involved.

Senator **Reid**. For example, there, about the commission that has been established.

Mr. **Moore**. We have four meetings that are contemplated for this National Commission on Superconductivity.

Senator **Reid**. Where will the Council find the money for these meetings? It is my understanding it will cost about $100,000 for these four meetings. From where will this money come?

Mr. **Moore**. Actually, we think we can do it for $50,000. We already have the money from the Department of Energy and from the Department of Defense, each of which have agreed to contribute $25,000. If, in fact, that turns out to be inadequate funding, we plan to go back to those and other agencies for a contribution.

But we are trying to run a tight ship. But we think that we can have at least four meetings for $50,000.

Senator **Reid**. I will, as I indicated, Mr. Chairman, not take any more time, other than to say that I have a list of recommendations from the Industry Congress Conference on Critical Materials held in February. And I, Mr. Moore, would like you to take a look at this list of things they consider important, and at the level of private sector input I received on the need for an active Council.

I would suggest that I am going to continue to make this Council that you say is ineffective, more effective, because I think it is extremely important for this country to start creating priorities and not be generalists, that we have to become specific, because I think we are losing the battle in a number of areas, in the trade and commerce, and the scientific world, because we are not giving enough Government incentive. I think this is a critical area, and I am going to continue to push this.

So maybe you or somebody will have a job longer than you think.

Mr. **Moore**. I do not expect to have it much longer.

Senator **Reid**. Thanks, Mr. Moore. Thank you, Mr. Chairman.

Senator **DeConcini**. Well, Senator Reid, let me first compliment you for your leadership in this area. There has been a big void here for a long time, and Senator Reid has been kind of a voice crying in the wilderness. I join him in my dismay. I cannot understand, Mr. Moore, why the administration's attitude is so negative when Congress wants to do this. I compare it to the Drug Czar. What would have happened if, all of a sudden, Mr. Bennett had not been appointed, and the President just had somebody come over from DEA as an acting appointment, and zeroed out the budget?

Do you think Congress would stand for that? Well, I will answer that question myself. They would not stand for it. They absolutely would rip the administration apart, and cut the White House budget or the OMB budget, or the Justice Department budget, and make them perform. I can understand the administration not liking something, but when it is the law, it seems just ridiculous. In your own situation, you are detailed over from the Council of Economic Advisors, and the existing staff is on reimbursable detail from the Bureau of Mines. How can the Council operate without permanent people?

Why have you not gone out and hired permanent staff? Can you tell me that?

Mr. **Moore**. We don't have the funds. You appropriated only $225,000.

Senator **DeConcini**. What have you done with that?

Mr. **Moore**. We have spent it on the existing staff.

Senator **DeConcini**. On what staff?

Mr. **Moore**. We had three staff members.

Senator **DeConcini**. Why not hire a permanent executive director first? Wasn't that who you needed to put together a budget and make recommendations to decide what you are going to need, instead of using it for lower staff people, bringing in people who, in my opinion and with all due respect to you, really are not too supportive of this? Maybe that is an inaccurate observation, but it really concerns me.

It seems to me if the law is there, if there is only $225,000, you hire an executive director. You get a leader in the office and tell him to propose what he thinks should be done.

Mr. **Moore**. Well, we did bring—the last two executive directors, in fact, were both very knowledgeable about materials, and worked very hard at this. They came on detail from other agencies. I agree with that.

Senator **DeConcini**. Well, if we are taking the money and detailing, are we not reimbursing it? Don't we reimburse those detailings?

Mr. **Moore**. Oh, yes; we reimburse.

Senator **DeConcini**. So why not hire permanent people?

Mr. **Moore**. Why not hire the best people? And that turned out to be people already within the Government, and we could get them on detail. Since the Council already had a finite life, very few people were interested in coming permanently, since it might go out of existence and since, in fact, we had come to the conclusion sometime past that this Council should be phased out early.

Senator **DeConcini**. Have you tried to get permanent staff? Are you aware of section 5182 of the law, which directs the Council to retain the equivalent of five full-time employees?

Mr. **Moore**. The budget that you appropriated is for $225,000. It cannot cover more than three people. We already had three people on the staff.

Senator **DeConcini**. But no director.

Mr. **Moore**. We had a director at that point.

Senator **DeConcini**. But that was not paid permanent staff. That was a detailee.

Mr. **Moore**. No; he was paid.

Senator **DeConcini**. I mean, he was a detailee; was he not?

Mr. **Moore**. He was detailed, but we had to reimburse. We had to pay for him.

Senator **DeConcini**. Why didn't you hire him permanently? You could not get him to come permanently?

Mr. **Moore**. He has not even stayed with us; he has left and gone to the private sector. Had we hired him permanently, he would still be gone.

Senator **DeConcini**. Section 5183, if I understand it correctly, no longer allows the Council to accept personnel and services from other agencies on a reimbursable basis. Are you familiar with that provision?

Mr. **Moore**. I was not familiar with it till last night, when I talked to one of your staff aides, who informed me of that.

Senator **DeConcini**. Will you please respond to us, either now or after? Perhaps you need to consult with somebody. What are you going to do about it?

Mr. **Moore**. Well, we only have $225,000. We could hire somebody for the remainder of this fiscal year. I think it would be very difficult at this point to get a permanent person for 4 or 5 months, since we are asking for the Council to be phased out, or to be zeroed out, at the end of this year, trying to hire a permanent person at this point would be difficult, and it would be hard to get anybody of any quality under those circumstances.

Senator **DeConcini**. You think the Congress is not going to fund it, is that what you think is going to happen?

Mr. **Moore**. Well, that is what we have recommended to the Congress.

Senator DECONCINI. I know that is what you recommend, but the Congress has not made that decision. Do you not have to go on the basis that it is a permanent agency as the law decides, until the Congress acts?

Mr. MOORE. We do have to go on that basis; in any case, I believe that the hiring of a permanent executive director should wait on the appointment of a permanent chairman of the Council. I am the Acting Chairman, and I am planning to leave the Government in 1 month

Senator DECONCINI. Maybe you could come on permanently then.

Mr. MOORE. As a member of the Council, you will have to appropriate some more money, because there is not enough money to pay me.

Senator REID. Would the Chairman yield?

Senator DECONCINI. I would be glad to yield.

Senator REID. Mr. Chairman, that is why I amended the Trade Bill, to get this show on the road; so that when we came back, we would have a record to go on. And it has just been stonewalled. There was money left over from fiscal year 1988, some $77,000, as I understand it, and not spent.

I, speaking for myself, am not going to give first. I really believe in this program. I think that we have been going on now, let us say for 4 years, as you have indicated. We just have gotten nowhere with this. I think the message should be taken back to the OMB, or wherever messages are taken, and indicate that there are a number of us that are going to continue to try to get this going, because some of us do not agree that we are maintaining the levels that we should, with superconductivity as an example.

Certainly, we are not doing as much as we should, in my opinion, regarding critical minerals.

Mr. MOORE. We did have a so-called Wise-Man's Report on Superconductivity, that came out in January. We are going to have the Superconductivity Commission, which will be coming out with a report this fall, and OSTP is working on a 5-year plan for superconductivity.

Senator REID. But you see, Mr. Moore, I know they are.

Mr. MOORE. I think there is a lot going on in that area.

Senator REID. But see, this is a coordinating council. And not only do we have OSTP, but there are other agencies of Government also doing things with superconductivity. This is not the only agency that is doing it. This is a coordinating council, so that we can get our act together. This agency knows what that agency is doing, and that agency knows. So we can have some coordination, that is what the purpose of this is, to set a long-range program.

Mr. MOORE. We have COMAT, the Committee on Materials.

Senator REID. They are tough to come up with, I understand.

Mr. MOORE. COMAT does bring all that information together, that is already under OSTP's direction. They meet quite regularly, and they exchange information on the research that is going on.

Senator REID. Mr. Moore, maybe we would be better off if, rather than continually coming back to Congress saying, "We do not want it. We are not going to do anything," that somebody from the administration came and said, "Maybe there is no need for this coordination, because we have COMAT."

Mr. MOORE. That is what I am saying.

Senator REID. Well, that is what you just said. I think that there would have to be some showing that there is some coordination. All the evidence we in Congress have had is that there is no coordination. This agency does not know what this agency is doing with superconductivity. There are a lot of independent programs going on with no coordination whatsoever. That is wrong.

Public Radio had something within the past 6 months on superconductivity, indicating that there are numerous agencies of Government, all attempting to do the same thing. The purpose of this Council, the concept of this Council, is that there would be some coordination. Having this mission from Congress does not mean that it would roll over OSTP.

So I would hope that, when we fund this again, that the next time there would be a permanent director appointed, and that they will fulfill the mandate of Congress.

Mr. Chairman, I think that I finished all that I had to say.

Senator DECONCINI. Mr. Moore, let me just ask one final question. Personally, do you think this country should have a minerals policy?

Mr. MOORE. Well, let me say that Senator Reid said we didn't have an oil policy, and no energy policy, and I think we do.

Senator DECONCINI. You do? What is it?

Mr. MOORE. It is called the marketplace.

Senator DECONCINI. The marketplace.

Mr. MOORE. The marketplace produces the most goods at the lowest price in the world. That is what the Russians have suddenly discovered. They have had policies all over the place for their economy. They have had 5-year plans, and 2-year plans, and they do not work.

Senator DECONCINI. I agree with you. They do not work.

Mr. MOORE. The world has recognized that the market works better. We had an energy plan under Jimmy Carter, and we had long lines at the filling station. We had shortages in parts of the country. We do not need that kind of energy plan.

Senator DECONCINI. You do not think we need to be concerned about the fact that we are importing close to 40 percent of our oil now? Is that a good market policy for us to continue?

Mr. MOORE. I think we should be aware of that. I think we should think about what to do about it, and we have, and we have a stockpile which deals with the issue of a cutoff.

Senator DECONCINI. How long would that stockpile hold up, Mr. Moore, if there were curtailments like in 1973 or 1978?

Mr. MOORE. Well, if we lost all oil shipments from the Middle East, my memory is a little foggy, I remember something like 6 months or 1 year, something like that.

Senator DECONCINI. So you do not think we need a policy to deal with that, just that we should be aware of it?

Mr. MOORE. Well, we do have a policy; we have an oil stockpile.

Senator DECONCINI. That is our policy, to stockpile for 6 months?

Mr. MOORE. We have examined the oil issue several times; energy security has been examined by the Department of Energy. The Commerce Department did a study on this last year. Again, all of the studies say, "Yes, we are at risk, but the best and only practical policy is to stockpile for a period of time."

Senator DECONCINI. What do you suggest we do about the mineral side then? What kind of marketplace policy should we have there?

Mr. MOORE. In the minerals, again, we have a stockpile for national security.

Senator DECONCINI. How much copper is in that stockpile? Do you know?

Mr. MOORE. I am unaware of the amount.

Senator DECONCINI. Not very much.

Mr. MOORE. It was examined by—we had a stockpile study in 1984-85, examined the amounts of most commodities, and I believe copper, it was found it was either adequate or we have excessive amounts under any reasonable scenario.

Senator DECONCINI. I think that study found that we had an inadequate amount of copper, and I think it recommended that we buy it, because the price was down in 1984, but now the price is way up.

Mr. MOORE. The price is way up; right.

Senator DECONCINI. And we don't seem to be buying it.

Mr. MOORE. Well, I don't think we should buy it now.

Senator DECONCINI. So you think our energy policy, whatever it is, is adequate because it is based on the marketplace, and we should not have anything further than what we have today?

Mr. MOORE. I think anything further than that is just going to be very costly to the American taxpayer and/or the American consumer, and buy us very little, if anything, in terms of security.

Senator DECONCINI. Mr. Moore, I hope this does not happen; but my God, if we have a shortage of imported oil, and people are waiting in the traffic lines in Arizona, and I am going to get in that line and say, "You know, I remember the policy of the adminstration was, 'Just don't worry about it.' Don't worry about 40 percent or 50 percent. By the turn of the century, as far as imported oil, all we need is a 6-month policy."

I am sure they are going to say, "That is great. I am glad we did not have any foresight or any policy whatsoever to change and to do anything that would encourage more development of oil in the United States, so we would not be so reliant on imported oil."

Mr. MOORE. Senator, if we don't have an energy policy like we had under Jimmy Carter with price and rationing controls, you will not find any lines at the filling station. You might find higher prices.

Senator DECONCINI. I am not suggesting the Jimmy Carter policy was good. I am suggesting that having no policy is not very good for the future.

Mr. MOORE. The administration has proposed a number of things in the energy area, including some more tax incentives for development of oil. The administration is aware of this area, and is trying to do some practical things that would encourage oil development.

Senator DECONCINI. At the same time, the administration has cut a substantial amount of moneys in the Energy Department for the development of alternative fuels, and for solar energy.

Mr. MOORE. That was very expensive and very wasteful.

Senator DECONCINI. You do not believe there is any room in the policy of the Federal Government to encourage people to develop and fund certain, say, solar energy research in the future?

Mr. MOORE. I would say the marketplace can do that.

Senator DECONCINI. The marketplace should do that.

Mr. MOORE. When we had a Synfuels Corporation, which wasted an awful lot of the taxpayer's money. I do not think we should go down the Synfuels Corporation route.

Senator DECONCINI. You don't think we should invest in any alternative fuel research?

Mr. MOORE. I think the private sector, the oil companies, are big companies.

Senator DECONCINI. We can rely on the oil companies?

Mr. MOORE. They have a market incentive, if there is going to be a shortage. At the moment, there is no evidence that the world is going to run out of oil in the next 30 years.

Senator DECONCINI. So we should just continue to be——

Mr. MOORE. I would suspect, just as 30 years ago, we had the reserves to last for 30 years, 30 years from now, I am fully confident that we will probably have lots of reserves, and if we do not, we will see market-based alternatives developing.

Senator DECONCINI. Mr. Moore, I have great respect for your economic background, but I certainly disagree with you that we have any kind of a policy for the future of this country. The day is going to come when I am going to be right, I am sorry to say.

Senator REID. Mr. Chairman, you may have great respect for Mr. Moore's economic abilities, but your history is a little faulty. Price controls on oil did not start with Jimmy Carter. They started during the Nixon administration. Simon was the first Energy czar that was appointed.

Mr. MOORE. I stand corrected. I agree.

Senator REID. Also, you should appreciate, Mr. Moore, that stockpiling, which you say is the only alternative, is an alternative we have had to fight for every year to get money continued. It has been cut back, cut back, cut back.

Senator DECONCINI. And it is in the strategic stockpile.

Senator REID. That is right. This country is going to rue the day that we have not done more to develop the massive oil shale that we have in parts of this country. It is going to rue the day that we have not given tax incentives for solar and wind energy. We cannot—we are drowning ourselves in fossil fuels. We have got to come up with some alternative.

Also, Mr. Moore, with your history, understand that the Reagan administration had no great energy policy. The only thing that saved the Reagan administration is that we had a glut on the oil market, which was created not by anything that we did; it was simply, we had a glut on the oil market. I think that, if we continue—if we have a mineral policy like our energy policy—we are going to wind up in real trouble; because we have to somehow cut our dependence on oil and foreign oil.

Mr. MOORE. Senator, I would just say that Ronald Reagan, when he decontrolled oil in February 1981, did contribute to that glut. By letting the price of oil go up in the United States, he got some people conserving more, increased conservation, which reduced the world demand for oil and contributed to the breaking of the OPEC cartel. It was not the sole factor. It would have broken anyway. But that helped speed up the break of the cartel, which ultimately led to much lower energy prices.

Senator DeConcini. Thank you, Mr. Moore. Thank you, Senator Reid.

FEDERAL LABOR RELATIONS AUTHORITY

STATEMENTS OF:

JEAN McKEE, ACTING CHAIRMAN
KATHLEEN DAY KOCH, GENERAL COUNSEL

INTRODUCTION OF WITNESSES

Senator DeConcini. Our last panel this morning will be the Federal Labor Relations Authority; Ms. Jean McKee, Acting Chairman of the Authority; and Ms. Kathleen Day Koch, general counsel, will be our witnesses.

We are pleased to have you. If you would like to introduce anyone else from your staff, Madam Chairman, please do. Your full statement will appear in the record. You may summarize it for us, please.

INTRODUCTORY REMARKS OF JEAN MCKEE

Ms. McKee. Yes; I am Jean McKee, the Acting Chairman of the Federal Labor Relations Authority, and I would like to introduce my colleagues at the table. On my left is Kathleen Day Koch, general counsel of the Authority; and one of her staff, George Baily; and on my right is Cynthia Metzler, who is the chief counsel for my staff; and Howard Solomon, who is the Executive Director for the Federal Service Impasses Panel.

I am particularly pleased to introduce Kathleen Koch, who was recently appointed general counsel. She and I share the belief that frequent two-way communication is the best way to avoid problems. I look forward to continuing to work with her to ensure that the Federal Labor Relations Authority fulfills the important mission Congress established for our agency.

In addition to being the Acting Chairman of the Authority, I am, at present, the only member. There have been two vacancies in the membership of the Authority since November 1, 1988, when former Chairman Jerry L. Calhoun resigned. As you will recall, member Frazier resigned on November 6, 1987.

The appropriation request before you is for $17.5 million and 256 full-time permanent positions. This is $40,000 below the fiscal year 1989 level and represents a five-position reduction from our current level. I believe that our request is reasonable, and that your approval of it will enable the Federal Labor Relations Authority to accomplish its mission to provide leadership in promoting sound Federal sector labor relations.

PREPARED STATEMENT

I have a prepared statement and biographical sketch, which have been entered for the record. I would be pleased to respond to any questions you may have. General Counsel Koch also has a prepared statement which addresses the program and budget aspects of the Office of General Counsel, and you may wish to hear from her now or later.

Senator DECONCINI. Fine. Ms. Koch, if you want to summarize your statement, please proceed for a couple minutes.

[The statement follows:]

STATEMENT OF JEAN McKEE

Thank you for this opportunity to appear before you to discuss the FY 1990 appropriation request for the Federal Labor Relations Authority. On December 13, 1988, I was designated the Acting Chairman of the Federal Labor Relations Authority by President Reagan. This is the first occasion on which I have had the honor to appear before this Committee as Acting Chairman.

The Federal Labor Relations Authority is an independent, adjudicatory agency. The Authority consists of three full-time Members who are appointed by the President with the advice and consent of the Senate. The President designates the Chairman, who serves as chief executive and administrative officer of the agency. The Chairman serves also as the Chairperson of the Foreign Service Labor Relations Board, and is responsible for appointing the other two Members of the Board.

The Authority includes an Office of the General Counsel, which is under the direction of the General Counsel. The General Counsel is appointed by the President and confirmed by the Senate. The Authority also includes the Federal Service Impasses Panel, which is composed of seven part-time Presidential appointees. The staff of the Panel supports the Foreign Service Impasse Disputes Panel, which is composed of five Members who are appointed by the Chairman of the Authority.

In addition to being the Acting Chairman, I am at present the only Member of the Authority. One Member position has been vacant since November 1, 1988, when Jerry

L. Calhoun resigned. The other Member position has been vacant since November 7, 1987, when Henry B. Frazier III resigned.

The appropriation request before you is for $17.5 million--$40 thousand below the FY 1989 level. We request 256 full-time, permanent positions--a 5-position reduction from our current level.

The requested budget and staffing levels will enable the Federal Labor Relations Authority to fulfill its statutory responsibilities to (1) provide leadership in establishing policies relating to Federal-sector labor-management relations; and (2) timely resolve Federal-sector labor-management disputes.

Over 76 percent of the FLRA's budget consists of personnel compensation and benefits. Rental payments to the General Services Administration and communication and utility costs account for another 14 percent of the budget. As the table below shows, all other categories combined account for only 9.6 percent of the budget.

ITEM	PERCENT OF TOTAL BUDGET REQUEST
Personnel Compensation and Benefits	76.4%
Rental Payments to GSA	11.4%
Communications, Utilities, and other Rents	2.6%
All Other Categories	9.6%
	100.0%

Before I address the FY 1990 request in more detail, I would like to update the Committee on two initiatives which were begun in FY 1988: (1) the upgrade of the Authority's automated data processing system, and (2) the agency's efforts to reduce by 8,000 square feet the office space in the headquarters office.

The installation of ADP hardware and software, which was funded in FY 1988, was completed in May 1988. As a result of the upgrade, automated data and word processing is now available to, among others, all professional employees in the Offices of the Members. This availability, coupled with the improved capabilities of the system itself, has contributed to our ability to expeditiously process cases. In addition, the upgrade has enhanced our case tracking and reporting capabilities.

As of March 1, 1989, we completed our space reduction efforts. The reduction was completed approximately 5 months later than planned because of delays in deliveries of furniture and equipment for several offices. In FY 1990, the reduction will save the Government approximately $213 thousand. These savings are reflected in our FY 1990 appropriation request.

I would like to address one other preliminary matter. In 1986, the Authority established a goal of issuing all decisions within 6 months of filing. In August 1986, when I became a Member of the Authority, there were over 200 "overage" cases--cases pending for more than 6 months. Some of these cases had been pending for over 5 years. In

February 1988, there were no overage cases. The Authority remained current through October 1988.

I am committed to issuing timely decisions in all cases. The vacancies in the Membership of the Authority have hampered our ability to issue decisions since the resignation of former Chairman Calhoun. The Authority's staff members continue to draft decisions for my review and approval, however, and there are many decisions which are ready for review by a new Member. The Authority is in a position, therefore, to again attain a current inventory once another Member is appointed.

With this background in mind, I would like to briefly address the Authority's five budgetary program units.

The Authority Members program unit is responsible for processing all cases which have been referred to the Authority for adjudication. These cases include unfair labor practices which have been prosecuted by the General Counsel, negotiability disputes, and review of arbitration awards. In addition to the Offices of the Members, this unit includes the Office of Case Control, the Office of Information Resources and Research Services, and the Office of the Solicitor.

The Office of Case Control maintains the Authority's docket room, prepares case files, reviews filings for conformance with procedural requirements, and issues decisions which have been approved by the Members. The Offices of the Members review and analyze case files, conduct legal research, and prepare draft decisions for the

Members' review and approval. The Office of Information Resources and Research Services maintains the Authority's automated case tracking system, publishes subject matter indices and digests, and prepares Authority decisions for publication by the Government Printing Office. The Office of the Solicitor represents the Authority in all judicial proceedings. The Authority Members program unit also provides services to the Foreign Service Labor Relations Board in resolving disputes arising under the Foreign Service Act of 1980.

During FY 1990, the Authority expects to receive 576 cases and issue 584 decisions. These projections assume that the number of cases filed with the Authority will not increase over the number projected for FY 1989.

The Office of the General Counsel program unit has statutory responsibilities to (1) investigate alleged unfair labor practices and (2) file and prosecute unfair labor practice complaints. The General Counsel has direct authority over and responsibility for employees in the Authority's regional and subregional offices. Regional Directors, who are included in this program unit, have been delegated the responsibility by the Authority to decide representation cases. Applications for review of Regional Director's decisions may be filed with the Authority.

Kathleen Day Koch, the General Counsel, will address the program and budgetary aspects of the Office of the General Counsel program unit in her prepared statement.

The Office of Administrative Law Judges program unit is responsible for (1) holding hearings in unfair labor practice cases where complaints have been issued by Regional Directors, and (2) issuing recommended decisions in those cases. Exceptions to recommended decisions may be filed with the Authority. During FY 1990, we project that the Administrative Law Judges will issue 201 recommended decisions and will settle an additional 703 cases.

The Federal Service Impasses Panel program unit assists agencies and unions in resolving negotiation impasses which arise under the Federal Service Labor-Management Relations Statute and the Federal Employees Flexible and Compressed Work Schedules Act. The Panel's staff also supports the Foreign Service Impasse Disputes Panel in resolving impasses arising under the Foreign Service Act of 1980. Among the techniques used by the Panel to resolve impasses are factfinding, informal conferences, and interest arbitration.

We project that the Panel will receive 264 requests for assistance and will close 231 cases during FY 1990.

Finally, the Management and Administrative Support program unit provides administrative support to all agency components in the headquarter's and the regional offices. This support includes budget, financial, personnel, security, procurement, and other administrative services. I believe that efficient operation of this program unit is essential for the Federal Labor Relations Authority to accomplish its mission. Accordingly, I am reviewing the structure and operations of this unit in order to ensure that it effectively and efficiently supports the agency as a whole.

In sum, the Federal Labor Relations Authority is committed to providing leadership in promoting sound Federal sector labor relations. As Acting Chairman, I am committed to accomplishing our mission in a way which uses our resources as effectively and efficiently as possible. It is in that spirit that I request your approval of our appropriation request.

Mr. Chairman, this concludes my prepared remarks. I welcome an opportunity to answer any questions you and the Members of your Committee may have.

BIOGRAPHY OF JEAN McKEE

Ms. Jean McKee, Acting Chairman, was sworn in as the third Member of the Federal Labor Relations Authority on August 20, 1986, after appointment by the President and confirmation by the Senate. Ms. McKee came to the Authority from the Federal Mediation and Conciliation Service (FMCS) where she served as the Executive Director since March 1983. She was responsible for the Arbitration Services Division and Labor-Management Grants Program, as well as directing the agency's overall management functions.

Ms. McKee entered Federal public service in 1967 when she joined the staff of the late Senator Jacob K. Javits, becoming his Administrative Assistant in 1973 and remaining until 1975. In 1976, she received her first Presidential appointment to serve as the Deputy Administrator of the American Revolution Bicentennial Administration, later succeeding the Honorable John W. Warner as Administrator until the conclusion of the program June 30, 1977 During 1978 Ms. McKee was Chief of Staff to the Minority Leader of the New York State Assembly and in 1979 received her second Presidential appointment to serve a 3-year term on the Advisory Commission on Public Diplomacy which had oversight of the United States Information Agency (USIA).

Ms. McKee has also enjoyed a distinguished career in the private sector. From 1980 through 1983 she was Director of Government Relations for the General Mills Restaurant Group. She also has been a board member of a major life insurance company; partner and treasurer of a public relations and public opinion polling firm, and has performed a variety of research for major corporate clientele. In addition to her professional career, she has dedicated her services on a volunteer basis to a variety of educational, political, civic and professional organizations, most recently serving as Chairman of Executive Women in Government and as fundraiser for her Vassar Class.

Ms. McKee earned her degree in Political Science at Vassar College and completed the Graduate School of Business Winter Executive Program of the University of Southern California. Ms. McKee was born in Connecticut and currently resides in Washington, D.C.

INTRODUCTORY REMARKS OF KATHLEEN KOCH

Ms. KOCH. Thank you, Mr. Chairman. It is a privilege and honor for me to be before you today. I have been in the position of general counsel for a little more than 3 months, and this is my first opportunity to appear before you.

In the short time I have been in the position, I have become acutely aware of the challenges before me. We have submitted for the record a statement that fully sets out our budget request for the General Counsel's Office. I believe it is a good, sound budget request, because it is adequate to do the job as it should be done, provided that I do my job of ensuring the agency's proper management and motivating a long-term career staff to continue their career at their high levels of quality and productivity.

In that regard, I am looking at the entire operation of the organization with an eye toward maximizing the utilization of our resources while maintaining a high quality of work product. I am studying the organizational structure and the alignment of the regional offices to determine where the inefficiencies may be. I have already resolved to remedy the need for more and better computer equipment to accomplish the work and to track our cases.

We have discovered that even small improvements in office management will be necessary to continue the levels of increase in productivity. For example, in the last month, we have installed facsimile machines in all of the regions, a rather simple $20,000 purchase; but have found in our preliminary reports that those improved communications are already improving the communication between parties and between our office to have an effect that is increasing our efficiency in accomplishing resolution of the disputes that come before us.

I would like to thank Chairman McKee for her gracious assistance that she has provided me in my first 3 months in office. As she mentioned, she and I share similar management philosophies; and most importantly, we share the common goal of wanting the FLRA to be the best agency it can possibly be. She has been very cooperative in ensuring that the general counsel's needs are met. I look forward to working with her in the years ahead, as well as working with your committee.

I would be happy to answer any questions you may have.

Senator **DeConcini**. Thank you, Ms. Koch, we will put the full statement in the record.

[The statement follows:]

STATEMENT OF KATHLEEN DAY KOCH

It is a pleasure to appear before you today as the General Counsel of the Federal Labor Relations Authority. I appreciate the opportunity to present the budget request for the Office of the General Counsel for fiscal year 1990, and to support the total budget request for the Federal Labor Relations Authority. We have already submitted a detailed written justification in support of our budget request. With your permission, I would like to touch briefly on some of the highlights of that justification, and to make a few observations as well.

Briefly, I want to outline the responsibilities of the Office of the General Counsel, and then to share with you my goals for this office. The General Counsel is directly responsible for investigating all alleged unfair labor practices filed pursuant to the Federal Service Labor-Management Relations Statute, the Panama Canal Act, and the foreign service labor-management relations provisions of the Foreign Service Act of 1980. The General Counsel has direct authority and responsibility for the issuance of complaints resulting from unfair labor practice charges filed pursuant to the statutes mentioned above. The General Counsel has been delegated responsibility for the investigation and disposition of representation case petitions, the conduct of all representation case hearings and elections, the certification to the parties of the results of representation case elections and the preparation of Decisions and Orders pursuant to representation case hearings. Finally, the Office of the General Counsel is responsible for the supervision and management of the FLRA Regional Offices.

Specifically, the Office of the General Counsel receives and investigates approximately 6,000 unfair labor practice (ULP) charges annually, receives and investigates approximately 300 representation petitions annually, issues complaints in approximately 850 ULP charges annually, litigates approximately 300 ULP complaints annually, conducts elections in approximately 100 representation cases annually, receives appeals in approximately 500 ULP charges annually, and holds hearings and issues Decisions and Orders in approximately 50 representation cases annually.

Our 1990 budget request provides 133 full-time permanent positions and $7,682,000 to support the responsibilities outlined above. These totals reflect a reduction of five positions and $180,000 from our appropriation in fiscal year 1989. In addition to these reductions, we are having to absorb the annualization of the pay raise approved this past January, and all other mandatory increases within our budget. The total above excludes the costs of items centrally funded within the Federal Labor Relations Authority (GSA space, FTS communications, penalty mail, etc.). In general, our field agents are required to process an average of approximately one case every two days. I have streamlined our Headquarters staff, maintaining it at its smallest level in the experience of the Office of the General Counsel. Our work is set out for us.

My goals for the Office of the General Counsel center on bringing consistency and quality to the Regional Office structure. I want to improve the overall quality of our written decisions and complaints issued by the Office of the General Counsel. In this time of budget deficits, we have to create a regional office structure which will more expeditiously and more economically process our workload. Long range, we need to obtain state-of-the-art word-processing equipment to enhance our efficiency and the quality of our work. We need to obtain state-of-the-art technology and implement an improved computerized case tracking system which will enhance our ability to monitor our workload and ensure the most efficient utilization of our resources.

The statutory right of employees to organize, to bargain collectively through representatives of their own choosing, and to participate in decisions which affect them safeguards the public interest and contributes to the effective conduct of public business. These statutory protections also facilitate and encourage amicable settlement of disputes between employees and their employers involving conditions of employment. The Federal Service Labor-Management Relations Statute details certain rights and oblgiations of the employees of the Federal government, and establishes procedures which are designed to meet the special requirements and needs of the government to be efficient and effective. The General Counsel operates in the Federal sector labor-management relations arena to ensure compliance with statutory rights and obligations of Federal employees, labor organizations which represent those employees, and the Federal agencies falling under the jurisdiction of Title VII of the Civil Service Reform Act of 1978. The parameters of this legislation are always being explored. We expect this exploration and testing to continue in the future, particularly with the recent legislation passed by the Congress closing several military installations throughout the country.

At the outset, I want to stress my support for the President's budget request. It is a fair reflection of the needs of the Office of the General Counsel for the foreseeable future. The impact of the five positions which are being eliminated will be offset by projected increases in productivity. I must comment, however, that these productivity increases are essential if we are to sustain our current case processing standards in conjunction with the elimination of five positions. The forecasts contained in the budget are realistic. We are estimating that 5,985 unfair labor practice charges will be received during fiscal year 1990, reflecting stability in the ULP intake. We also believe that 300 representation cases will be received, equal to the projected intake for fiscal year 1989.

In looking at our budget request for fiscal year 1990, it is important to stress that the Office of the General Counsel is a "labor-intensive" organization. Of the total budget request of $7,682,000, $6,895,000 is requested for the cost of personnel compensation and benefits - 90% of the total request. A total of $438,000 is request for travel, which is vital to the success of our program -- the travel request equals another 5.5% of our total request. These two items, travel and personnel costs, account for nearly 96% of our total budget request. Library subscriptions for our law libraries in the Regions are projected to cost $50,000, and maintenance contracts for our existing equipment are projected to cost $120,000 in fiscal year 1990. These two items alone account for another 2% of the total budget request. Court reporting contract costs for our ULP and representation case hearings are projected to cost another $55,000. In total, these five areas account for 98.5% of the total budget request for the Office of the General Counsel -- personnel compensation and benefits, travel, library subscriptions, maintenance contracts and court reporting services. Virtually no discretionary expenditures remain in this budget request.

With these thoughts in mind, I would like to express some specific observations regarding the preparation of this budget request. First, the Office of the General Counsel has no control over its intake. After increasing sharply in fiscal years 1987 and 1988, the ULP intake is projected to stabilize this fiscal year and again in fiscal year 1990. This budget does not assume a continuing pattern of increases in case intake.

In looking at the impact of this budget request on the workload requirements for the Office of the General Counsel, the highest priority will continue to be assigned to the processing of representation cases, including the expeditious investigation of all petitions, conducting elections and representation case hearings, and issuing final decisions in all cases involving such hearings.

Briefly, I would like to review the case flow for the unfair labor practice caseload for the Office of the General Counsel, and to focus on our principal challenges in processing this caseload. When an unfair labor practice charge is filed, it is investigated. If found to be meritorious, the parties are encouraged to settle voluntarily without further action. Roughly three-fifths of all charges found to have merit are settled prior to the issuance of complaint. When a complaint must be issued (in cases found to be meritorious where voluntary settlement cannot be obtained), settlement efforts are continued. In the past, voluntary settlements have been obtained in approximately two-thirds of all cases where complaints were issued. The total settlement rate for our merit caseload equalled 89% during fiscal year 1988. Where settlement cannot be obtained, cases are transferred to the Authority for final decision -- either through hearing before an administrative law judge, motion for summary judgement to an administrative law judge or stipulation directly to the Authority. Only 4 percent of all unfair labor practice charges were transferred to the Authority for final decision in fiscal year 1988 -- 259 charges out of 6,123 charges received. All other cases were resolved wholly within the Office of the General Counsel.

Outlined below is a percentage distribution of the outcomes of the ULP charges, using acual experience in fiscal year 1988. The table summarizes all initial and secondary actions

Cases Determined to Have Merit	2,496 cases	42%
Pre-Complaint Settlements	1,626 cases	28%
Complaints	870 cases	14%
Post-Complaint Settlements	545 cases	10%
Hearings/Stipulations/Motions	259 cases	4%
Violations Found	219 cases	3%
No Violations Found	40 cases	1%
Cases Determined Not to Have Merit	3,410 cases	58%
Withdrawals Obtained Prior to Dismissal	2,124 cases	36%
Dismissals Issued (No Withdrawal)	1,286 cases	22%
No Appeal Filed	830 cases	14%
Appeal Filed	456 cases	8%
Regional Office Sustained	441 cases	7%
Regional Office Reversed/Remanded	15 cases	1%

Cases found to be without merit are voluntarily withdrawn by the charging party or they are dismissed. Historically, withdrawals are obtained in roughly 55 percent of all cases determined to be without merit. The remaining 45 percent are dismissed and, of that number, approximately 35 percent are appealed directly to me.

The initial investigations of unfair labor practice charges are similar to a screening process. The Office of the General Counsel is fully responsible for the disposition of 85 percent of all unfair labor practice charges. Complaints are issued in approximately one charge for every six received. Only about 10 percent of all charges reach the Office of Administrative Law Judges, and only about 4 percent of all chages filed need to be forwarded to the Authority for final decision. In the initial investigation of all unfair labor practice charges, approximately 40 percent, two in every five charges, are determined to have merit. The remaining 60 percent of all charges are determined to be without merit.

Briefly, I would like to review some of our highlights for fiscal year 1988.

-- During the fiscal year, 6,459 cases were received. This total was 352 cases, 6 percent, higher than the comparable intake for fiscal year 1987. Our intake increased sharply for the second consecutive year. Our intake in fiscal year 1988 exceeded our budget estimates for the fiscal year by 17.5 percent, 959 cases.

-- Despite the loss of two positions in fiscal year 1988, dispositive actions were taken in 6,242 cases during the fiscal year. This total was 278 cases above the comparable total for fiscal year 1987, an increase of nearly 5 percent. Dispositive actions exceeded budget projections by 555 cases, 9 percent.

In concluding my statement, I want to express my appreciation to this Committee for its recognition of the importance of travel in accomplishing our program objectives. It is an essential part of our work. Adequate staffing levels produce efficient and effective investigations only when coupled with sufficient travel funds to productivity carry out the work of this Office. The Regional Office structure throughout the country serves to reduce our reliance on travel, not to eliminate it. One of my concerns since being named General Counsel has been that the outreach program conducted by the Office of the General Counsel has been focused too narrowly. I believe that we can further our goals and improve the climate of labor relations in the Federal sector by meeting with the parties in constructive information-sharing forums. It is not a good omen for our program when the only time our clientele come in contact with our staff is during the investigation of an allegation of an unfair labor practice charge.

This concludes my formal statement in support of the President's budget request for the Office of the General Counsel for fiscal year 1990. I would note that the high settlement rates combined with the productivity increases by the staff were responsible for maintaining the timely processing of our cases and controlling out case backlogs. This budget request is essential to our continued ability to perform our mission. With a continuation of the support and assistance which this Committee has provided in the past, I am confident that the staff of the Office of the General Counsel will continue to strive to meet our responsibilities and the challenges ahead. Thank you for your attention to this statement. I will be happy to respond to any questions which you have.

BIOGRAPHY OF KATHLEEN DAY KOCH

Kathleen Day Koch has been General Counsel of the Federal Labor Relations Authority (FLRA) since December 22, 1988, when she was appointed to the post during a Congressional recess. On January 3, 1989, the President sent to the Senate Ms. Koch's nomination for a full five year term.

Ms. Koch's entire legal career has been in public service, where she has developed an expertise in federal employee and government ethics issues. Prior to her appointment as General Counsel, she served as Associate Counsel to the President. She was asked to join the White House staff while serving as a Senior Attorney in the Personnel Law Division at the Commerce Department. During the significant formative period of the Merit Systems Protection Board (1979-1984) Ms. Koch participated in the development of the adjudicatory agency's procedural and substantive precedents. Her government career began in 1977 when she was appointed an Honors Program attorney at the Department of Housing and Urban Development.

A native of St. Louis, Missouri, Ms. Koch attended local Lutheran schools through high school. She studied at Concordia College, River Forest, Illinois. After transferring, she received her B.S. degree from the University of Missouri St. Louis in 1971. She was honored that year as a finalist in the competition for the Danforth Urban Leadership Fellowship. Ms. Koch received her legal education from the University of Chicago where she received her J.D. degree in 1977.

Ms. Koch is also the mother of three active children ages 10, 11 and 16. She and her children reside in Annandale, Virginia.

CASE INTAKE

Senator **DeConcini**. Well, I will start with you, Ms. Koch. Your testimony indicates that your proposed 1990 budget does not assume an increase in your caseload of unfair labor practices. Can you tell the committee why you expect the number of unfair labor practice cases to stay the same in 1990, and how you will handle increases if you are wrong?

Ms. **Koch**. We, in the last 3 years, have seen a steady increase, and in the current year, are seeing a stabilization with 1988, very similar numbers to 1988. We anticipate that that will continue. We have to look at a 10-year past pattern. It appears that, although in the past there were often projections of case load decreasing, we have not projected that at all; but that there is a plateau that has been reached. We think that that will continue.

If we are wrong, if there is some major event that would cause some drastic increase in caseload, we——

Senator **DeConcini**. Excuse me. What about instituting your Outreach Program, to assist in resolving disputes? Is that not likely to place more burden on your office?

Ms. **Koch**. We would hope that it would place less burden on the office; that it is an education function.

Senator **DeConcini**. You hope to figure those out before they become full-blown complaints?

Ms. **Koch**. Yes; it is the goal of the office in general, we believe, and it is better for the Federal work force, for parties that have disputes to resolve them before they become fully blown hearings in a litigation posture. So that is one reason why we try to do things very quickly, keep people talking to each other, and our Outreach Program has as a goal to educate people on how to continue that process.

Senator **DeConcini**. So you counted on that, really, to maybe——

Ms. **Koch**. At least keep our numbers without growth.

Senator **DeConcini**. Without increasing?

Ms. **Koch**. Yes.

ATTORNEY FEES

Senator **DeConcini**. Madam Chairman, maybe you can help me here. In the FLRA's classification 25, entitled, "Other Services," you list attorney's fees as one of the many different expenses that fall under that account. Can you tell the committee under what circumstances you award attorney's fees, and how much in attorney's fees you did award in 1988?

Ms. **McKee**. It is where they are entitled to an award of attorney's fees after litigation.

Senator **DeConcini**. That is by court order?

Ms. **McKee**. Yes.

Senator **DeConcini**. I see. So it is out of your hands? Nobody else can tell you to pay that?

Ms. **McKee**. That is right.

Senator **DeConcini**. How much were you told to pay?

Ms. **McKee**. I have no idea what the figure is; but we will be glad to supply it for you.

Senator **DeConcini**. That is fine.

Ms. McKee. We think it was about $11,000. It was not that major.

Senator DeConcini. Is that all?

Ms. McKee. Yes; it is very limited, usually, in the funds that we do expend. I know it was under $25,000, and we think it was about $11,000.

VACANCIES IN AUTHORITY MEMBERSHIP

Senator DeConcini. Is it true that vacancies in the membership of the Authority have hampered your ability to issue decisions?

Ms. McKee. Yes.

Senator DeConcini. How many vacancies are there?

Ms. McKee. Normally, there are three members, and since November 1, I have been the only member.

Senator DeConcini. You are the only member now?

Ms. McKee. Yes.

Senator DeConcini. And you are Acting Chairman?

Ms. McKee. And I am Acting Chairman.

Senator DeConcini. Since November?

Ms. McKee. There have been two vacancies since November. On December 13, I was named Acting Chairman, because we must have an Administrative Officer, and the Chairman is the Administrative Officer under our law. I looked carefully at several things concerning issuing decisions. For one, the National Mediation Board came down to one member as well, in a similar situation. There, they did not issue decisions, but did continue to operate.

There was a case in court, and it was ruled that they could continue to operate with only one because they were not an adjudicatory body. Well, we are an adjudicatory body.

Senator DeConcini. So how do you act?

Ms. McKee. So at the moment, I process cases, and I do not issue any decisions. I am waiting for another member to come.

Senator DeConcini. What is the administration's plan to fill these vacancies; do you know?

Ms. McKee. It is fairly immediate. They are well into the process on naming two, as I understand it, presumably two members, and I think you would be hearing from them within 1 month.

Senator DeConcini. Are you going to be appointed, or do you know?

Ms. McKee. I believe so.

REDUCTION OF FIVE POSITIONS

Senator DeConcini. One last question. Your 1990 budget request for activities of the Federal Labor Relations Authority is $17.5 million and 256 positions. This represents a decrease of $40,000 and five positions from your 1989 level. Certainly, that is encouraging. Your testimony states that the reduction will be offset by increases in productivity.

How do you come to that conclusion? What makes you think your productivity is going to increase by that much?

Ms. McKee. The five-position cut really comes out of the general counsel's staff this year. I know it is difficult, but the office has had a number of vacancies. There was no general counsel at the time that OMB's response to our budget request came forward, so I accepted the decision to eliminate the five positions, because there were no incumbents in those positions at the moment.

Senator DECONCINI. Do you go along with that, Ms. Koch? Are you going to work 80 hours a week?

Ms. KOCH. Some of our people will be working very hard. They are very, very dedicated people. They believe in the work they do, and they do work hard. As I mentioned, it is a challenge, and I have spent some time visiting my regional offices to encourage them.

Senator DECONCINI. How many people are in the General Counsel's Office?

Ms. KOCH. We have 137.

Senator DECONCINI. So there are going to be five less?

Ms. KOCH. Five less; yes.

Senator DECONCINI. And do you think you can do the job?

Ms. KOCH. If we continue to provide support and materials for them. I walked in there and had the impression that they sort of were not yet in the 20th century, and the first thing I did was get these facsimile machines. The second thing I hope to do is, their word processing and computer tracking equipment is woefully, woefully out of date, obsolete. Well, one machine is being cannibalized to put together another machine.

We have some money that we are hoping to spend this fiscal year which was going to pay for pay raises, that will not be used. So we are going to be buying some equipment.

Senator DECONCINI. Well, if they don't fill the other two member positions, you have that extra money; right?

Ms. KOCH. Yes.

Ms. MCKEE. I feel very strongly that—I have been in those regional offices as well—and I know the handicap it is without really good equipment. We have computerized our office and have been able to reduce the number of clerical staff we need as a result of everybody putting their draft decisions in the computer right away.

So I know what a help it would be. So if we come up with—my goal is that we would help the general counsel provide computers to the staff with any excess funds. We will watch those funds carefully.

ADDITIONAL COMMITTEE QUESTIONS

Senator DECONCINI. Thank you, Ms. McKee. There are some questions for the record from Senator Domenici, and I may submit some further questions myself.

Thank you very much for being with us and for waiting around today.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

OVERVIEW

QUESTION: Your FY 90 budget request for the activities of the Federal Labor Relations Authority is $17.5 million and 256 positions. This represents a decrease of $40,000 and 5 positions from the FY 89 enacted level of funding. Your testimony states that the reduction will be offset by increases in productivity. Can you tell us specifically how you expect to achieve the savings through productivity without affecting your caseload requirements?

ANSWER (MS. KOCH): Although the overall budget request for the Authority represents a decrease of $40,000 and 5 positions from the FY 89 level of funding, it should be noted that the request represents a decrease of $180,000 and 5 positions for the Office of the General Counsel.

As your question suggests, the loss of 5 positions may, indeed, increase slightly the absolute numbers of cases each employee must process. However, we anticipate that improvements in several areas will allow us to accomplish our mission expeditiously and with the same or better quality as before. Since beginning my tenure as the General Counsel in December, I have initiated review of the workload processes. By streamlining procedural aspects of our caseload and eliminating duplicating efforts, we will improve individual productivity while giving each case the substantive depth it warrants. In addition, phased purchases of state-of-the-art communications and word processing equipment will enhance the Regional Offices' ability to produce work more efficiently. These purchases are beginning in fiscal year 1989 and their effect should be noticed already when fiscal year 1990 begins.

OFFICE OF THE SOLICITOR

QUESTION: I understand that the Office of the Solicitor represents the Federal Labor Relations Authority in all judicial proceedings, except before the Supreme Court. What was the Solicitor's caseload in FY 88, and what are your projections for FY 89 and 90?

ANSWER (MS. MCKEE): At the end of FY 1988, the Authority was represented by the Office of the Solicitor in 409 proceedings which were pending in Federal courts. Approximately 225 of these cases are consolidated in the U.S. Court of Appeals for the District of Columbia Circuit. These consolidated cases involve the issue of whether or not a Federal agency is required to provide the names and home addresses of bargaining unit employees to the employees' exclusive representative under 5 U.S.C. § 7114(b)(4).

The Solicitor's Office represents the Authority in two types of cases. In the first type, the Authority initiates court action by petitioning for enforcement of an Authority decision. The second type of cases results when one or more of the parties to an Authority case--usually a Federal agency or union--petitions a Federal court to review an Authority decision. In either instance, the caseload of the Solicitor's Office is directly dependent on the numbers of case decisions which are issued by the Authority. Simply put, when more case decisions are issued, there are more case decisions to review or enforce.

The Authority has not issued case decisions since November 1, 1988, because there are two vacancies in the Authority's membership. As I noted previously, however, draft decisions have been prepared for my approval and are ready for review by a new Member(s). How quickly and how many decisions will issue depends on when new Members are nominated by the President and confirmed by the Senate.

The Authority projects that there will be approximately 345 cases pending in the Federal courts at the end of FY 1989. This projection is based on assumptions that (1) the average number of court cases which have been closed each month over the last 18 months (10.5 cases) will continue through FY 1989; (2) the "name and home address" cases will still be pending in the U.S. Court of Appeals for the D.C. Circuit at the end of FY 1989; and (3) there will be no significant new case intake through the remainder of this fiscal year. In connection with the last assumption, I note that petitions for review of Authority decisions are usually not filed in Federal court until 30 to 60 days after issuance of the Authority decision for which review is sought. Because of this "lag," petitions for review of Authority decision which are issued after July of this year will not be filed and become part of the caseload of the Office of the Solicitor until FY 1990.

The Authority projects that there will be approximately 170 cases pending in the Federal courts at the end of FY 1990. This projection is based on the assumption that the "name and home address" cases will be resolved during FY 1990, thereby reducing the caseload in the Office of the Solicitor by 225 cases. The projection also is based on the assumption that the Office of the Solicitor will open 50 more cases than it closes during FY 1990.

QUESTION: You indicate that in certain cases the Solicitor General of the Justice Department delegates the authority to the Solicitor of the FLRA to appear before the U.S. Supreme Court. How often does this happen? Under what circumstances does the Solicitor General permit the FLRA Solicitor to appear before the Supreme Court?

ANSWER (MS. MCKEE): On five occasions, the Solicitor General of the United States has delegated authority to represent the Authority before the Supreme Court to the Authority's Solicitor. In each case, the Solicitor General represented the Federal agency which opposed the Authority in the litigation before the Supreme Court. Because the Solicitor General represented the party opposing the Authority, it would have been a conflict of interest for the Solicitor General to represent the Authority also.

QUESTION: How many positions are in the FLRA Solicitor's Office?

ANSWER (MS. MCKEE): There are a total of 14 positions in the Office of the Solicitor. There are nine attorneys (including three supervisory attorneys and one part-time attorney), two secretaries, two paralegals, and one legal technician.

POSITION REDUCTIONS

QUESTION: You state in your testimony that in order to absorb the annualized pay raise and other mandatory increases, you are reducing your FY 90 staffing by five positions. This reduction will be taken out of the Office of General Counsel. Can you tell us specifically which positions will be eliminated and what impact it will have if any, on your workload?

ANSWER (MS. KOCH): We are unable at this time to identify specific positions which will be eliminated. We are reviewing the headquarters and field office organizations for that purpose. It is possible that some realignment of jurisdiction, as well as reshuffling of duties and responsibilities will be required to reduce the staff. As indicated above, the impact of the elimination, whether by reorganization or by attrition, will involve greater production requirements of those employees who investigate, decide and prosecute our cases in the field offices.

QUESTION: In your testimony you indicate that it is the goal of the Office of General Counsel to investigate and take initial dispositive action on all representation cases within 45 days of receiving the petition. What is your current processing time and will you be able to continue to achieve that target with your FY 90 budget request for these activities?

ANSWER (MS. KOCH): Our current average processing time to take initial dispositive action on representation cases is 52 days. In 40% of all representation cases we are able to take initial dispositive action within the 45-day period. Representation cases represent a small portion of our total caseload. We anticipate that we will continue to process those cases in a timely manner.

ADP INSTALLATION

QUESTION: I see from your budget submission for FY 90 that the installation of automated data processing hardware and software, funded in FY 88, has been completed and you expect the system to increase your productivity. What type of services have you automated--word processing, legal research or retrieval, case tracking?

ANSWER (MS. MCKEE): As a result of the upgrading and installation of the Authority's automated data processing equipment, all Authority employees have access to a computer terminal. Each terminal provides access to enhanced word processing and automated legal research. We are completing efforts to design and implement a new case tracking system.

QUESTION: Your testimony mentions that your long-range plans call for state-of-the-art word-processing equipment to enhance your efficiency and quality of work. You also mention that you need to obtain state-of-the-art technology to improve your computerized case tracking system. Will the current system provide that capability, and if not, when do you expect to request additional funds for this equipment? What are the costs?

ANSWER (MS. KOCH): Our current system, which is separate from the system used by the Authority and referred to in your previous question, is obsolete and inefficient. As I stated in my response to a question by Senator Domenici, our plans for the purchase of modern technology has been divided into three stages. The first stage, which consists of replacing all current equipment with personal computers for word processing, will gradually be completed by the end of FY 90 through use of lapsed funds resulting from temporary vacancies, as they occur. We anticipate that the funds for the remaining stages, the procurement of personal computers for all professional staff and the procurement of a mini-computer and development of a case tracking system, will be requested in our budget proposal for FY 1991.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

VACANCIES IN THE AUTHORITY'S MEMBERSHIP

QUESTION: You indicate in your testimony that you are presently the only Member of the Authority, one Member position having been vacant since November 1, 1988, and the third having been vacant since November 7, 1987.

What has been the delay in filling the position on the Authority which has been vacant since 1987?

What impact have these Member vacancies had on the Authority's ability to handle its workload?

ANSWER: Henry B. Frazier III resigned as a Member of the Authority effective November 7, 1987. Jerry L. Calhoun resigned as Chairman of the Authority effective November 1, 1988. Authority Members are appointed by the President, subject to the advice and consent of the Senate.

As to the delay in filling the Authority position which has been vacant since 1987, I can only state that the nomination which was forwarded by President Reagan was not acted upon by the Senate Committee on Governmental Affairs. However, the vacancy which resulted from Mr. Frazier's resignation did not affect the Authority's ability to decide cases. Chairman Calhoun and I decided cases after Mr. Frazier's resignation and, in fact, achieved the Authority's goal of deciding all cases within 180 days of filing in February 1988. The Authority remained "current" through Fiscal Year 1988.

Because of the two vacancies in the Authority's membership, I have not issued cases since November 1, 1988, the date of Chairman Calhoun's resignation. Draft decisions have been prepared by staff members for my approval, however, and are ready for review by a new

Member(s). The Authority is in a position, therefore, to regain a current inventory after the vacancies in the Authority's membership are filled.

QUESTION: What savings have accrued as a result of these vacancies in each of Fiscal Years 1988 and 1989? What have these funds been used for?

ANSWER: During FY 1988, $69,000 accrued as a result of the vacancy in one Member position. The money was used to offset the increased costs of printing Authority decisions and preparing the bound volumes of those decisions. During FY 1988, the Authority met its goal of deciding all cases within 180 days of filing and, as a result of eliminating the backlog of Authority decisions, it was necessary to print and prepare bound volumes of more Authority decisions than had been anticipated.

During the first 6 months of FY 1989, $75,000 has accrued from the two vacant Member positions. These funds will be used to offset increased space costs, to enhance the automated data processing capabilities in the Office of the General Counsel, and to provide necessary training for Authority employees.

QUESTION: Does the Fiscal Year 1990 appropriation request assume that the Authority will be operating with three full-time Members for the full fiscal year?

ANSWER: Yes. The Authority's appropriation request for FY 1990 assumes that all three Member positions will be filled during all of FY 1990.

OFFICE SPACE COSTS

QUESTION: You indicate that as of March 1, 1989, the Authority completed its efforts to reduce office space in the headquarters office by 8,000 square feet, saving approximately $213,000 in Fiscal Year 1990. The budget justification reflects a $6,000 increase over Fiscal Year 1989 for space costs. Is this a net figure?

ANSWER: Yes. The $6,000 increase from FY 1989 to FY 1990 is a net increase which reflects rental costs for the Authority's headquarters and regional offices. If the Authority had not reduced its headquarters space by 8,000 square feet, our rental costs for FY 1990 would be $213,000 higher than our current FY 1990 request.

QUESTION: The program and financing schedule for the Authority assumes no reimbursable program for Fiscal Year 1990. Why is this the case? A reimbursable program of $4,000 in Fiscal Year 1988 and $5,000 in Fiscal Year 1989 is reflected in the schedule; what reimbursements to the Authority does this reflect?

ANSWER: In FY 1988, the Authority purchased a training slot in the Federal Executive Institute from the Office of Personnel Management. The Authority's sale of that slot to the Federal Emergency Management Agency resulted in the $4,000 reimbursable item for FY 1988.

In FY 1989, the Authority is a participating agency in the Department of Health and Human Services (HHS) Fitness Center. The Authority paid HHS for both the Authority's and the employees' shares of Fitness Center fees. The Authority's collection of the employees' shares of the fees from the employees resulted in the $5,000 reimbursable item for FY 1989.

There is no reimbursable program included in the Authority's FY 1990 appropriation request because the Department of Health and Human Services has not determined whether it will collect employees' shares of Fitness Center fees from participating agencies or from employees in FY 1990. If HHS requires payment of employees' shares of the fees from the participating agencies, the Authority's budget would be modified to reflect a reimbursable program for FY 1990.

QUESTION: Staffing levels (full-time permanent positions) for the Authority's administrative law judges and the Federal Service Impasses Panel are proposed to be maintained in Fiscal Year 1990 at the Fiscal Year 1989 levels; however, Fiscal Year 1990 funding proposed for the administrative law judges is $6,000 and funding proposed for the Federal Service Impasses Panel is $34,000 below their respective Fiscal Year 1989 funding levels. What is the basis for these funding reductions?

ANSWER: The FY 1990 funding level for the administrative law judges was adjusted to reflect the actual experience and expenditures during FY 1988. The level requested for FY 1990 reflects an increase over the actual FY 1988 expenses of $61,000. Although the FY 1990 level is $6,000 less than the FY 1989 estimate, the FY 1990 reflects an increase over the actual expenses in FY 1988.

In FY 1989, the Chairman of the Authority decided to supplement the funding level for the Federal Service Impasses Panel. Therefore, the difference between the FY 1989 and the FY 1990 levels reflects a reduction in the Authority's supplement of the Panel's operations. The FY 1990 estimate is $35,000 higher than the actual expenses in FY 1988.

If the requested levels for the administrative law judges and the Federal Service Impasses Panel prove inadequate for the operations of those two units in FY 1990, the Chairman, as Chief Executive and Administrative Officer of the Authority, may reallocate funds within the Authority.

QUESTION: Does the Authority's Fiscal Year 1990 request assume full annualization of the January 1989 pay raise? If not, what amount of funding, by program activity, is the Authority having to absorb?

ANSWER: No. The Authority's FY 1990 appropriation request does not assume full annualization of the January 1989 pay raise. The amount of funding, by program activity, necessary to absorb the pay raise is as follows:

Authority Members	$167,000
Administrative Law Judges	32,000
Office of the General Counsel	290,000
Federal Service Impasses Panel	21,000
Management and Administrative Support	35,000
TOTAL	$545,000

FEDERAL-SECTOR ARBITRATION

QUESTION: The budget justification indicates that in the Federal sector 20% of all arbitration awards are contested as compared with less than 2% in the private sector. Why is this the case?

ANSWER: I believe that the differences in the percentages of arbitration awards which are contested in the Federal and the private sectors stem from differences between the Federal and the private sectors in the nature of the grievances which are arbitrated and the standards applicable to review of arbitration awards.

In the private sector, arbitration primarily is used to resolve disputes over the meaning and application of collective bargaining agreements. Nearly 30 years ago, the United States Supreme Court stated that the "processing of disputes through the grievance machinery is actually a vehicle by which meaning and content are given to the collective bargaining agreement." United Steelworkers of America v. Warrior & Gulf Navigation Co., 363 U.S. 574, 581 (1960). Private sector arbitration awards are reviewable on very narrow grounds:

> [T]he Court made clear almost 30 years ago that the courts play only a limited role when asked to review the decision of an arbitrator. The courts are not authorized to reconsider the merits on an award even though the parties may allege that the award rests on errors of fact or on misinterpretation of the contract.

United Paperworkers International Union v. Misco, 108 S.Ct. 364, 370 (1987).

Federal-sector arbitration also is used to resolve disputes over the meaning and application of collective bargaining agreements. Like judicial review of arbitration awards in the private sector, the Authority does not reconsider the merits of arbitration awards which rest on interpretation of those agreements.

Unlike the private sector, however, Federal-sector grievances also may involve disputes

over the meaning and application of Federal laws and regulations. In fact, Congress defined "grievance" to include "any claimed violation, misinterpretation, or misapplication of any law, rule, or regulation affecting conditions of employment." 5 U.S.C. § 7103(a)(9). Congress provided also that an arbitration award is "deficient" if the Authority finds that the award "is contrary to any law, rule, or regulation[.]" 5 U.S.C. § 7122(a)(1).

Grievance arbitration in the Federal sector frequently involves disputes over the meaning and application of Federal laws and regulations. When exceptions to arbitration awards are filed, the Authority must review awards for consistency with those laws and regulations. In view of the number of laws and regulations which are applicable to Federal employment, the percentage of awards which are contested in the Federal sector is higher than the percentage in the private sector.

OFFICE OF THE GENERAL COUNSEL

QUESTION: In your testimony, you indicate that in addition to a reduction of 5 positions and $180,000 in funding for Fiscal Year 1990, the Office of the General Counsel is having to absorb the annualization of the January 1989 pay raise, and all other mandatory increases within its budget. What amount of funding to annualize the January 1989 pay raise are you being required to absorb? What level of funding associated with mandatory cost increases are you having to absorb?

ANSWER: The January 1989 raise was effective only during the last 9 months of FY 1989. The additional costs to absorb that raise for the entire 12 months of 1990 will be approximately $68,000 more than 1989.

In addition to annualization of the 1989 pay raise, the Office of the General Counsel must absorb other mandatory cost increases. They include: $96,000 for within-grade increases and career-ladder promotions; $15,000 in increased travel costs resulting from upward adjustments by General Services Administration of per diem allowances, as well as increases negotiated by GSA in its contracts with airlines; and $14,000 for mandated increases in equipment maintenance contracts, printing services by the Government Printing Office and the negotiated increases in court reporting services associated with hearings in our unfair labor practice and representation caseload.

QUESTION: You indicate in your testimony that the Office of the General Counsel has streamlined its headquarters staff. How many staff will the Office have at headquarters in Fiscal Year 1990 as compared with each of the previous five fiscal years? What impact will this reduction in staff have?

ANSWER: The headquarters staff of the Office of the General Counsel was reduced by eight positions during the five-year period from fiscal year 1985 until the present. Since the headquarters staff was never large, the reduction of eight positions constitutes a 31 percent reduction of staff. Summarized below are the staffing levels for the headquarters of the Office of the General Counsel for Fiscal Year 1990

Fiscal Year 1985 -- 26 positions
Fiscal Year 1986 -- 23 positions
Fiscal Year 1987 -- 22 positions
Fiscal Year 1988 -- 21 positions
Fiscal Year 1989 -- 18 positions: and
Fiscal Year 1990 -- 18 positions.

The impact of the reductions, for the most part, have promoted greater efficiency in the office as a whole. I am new to the organization and have no historical memory, but I believe that the Office of the General Counsel's staff is adequate to perform the current tasks of the office.

My concern in reviewing the present make up of the staff is that we have no reserve for special requirements. Previously, for example, the headquarters staff was able to provide assistance to regional offices having short-term backlogs. We no longer have that capacity.

I do not expect to make further reductions of the headquarters staff. In conjunction with the reduction of three positions in Fiscal Year 1989, my predecessor contracted for the services of a consultant to study the functioning of the headquarters staff to ensure its maximum efficiency. I am now in the process of reviewing the recommendations. Although it is likely that there will be a different distribution of functions and responsibilities, it is not likely that I will reduce the headquarters staff by more than one or two positions, if any.

QUESTION: You indicate in your testimony that the Office of the General Counsel needs state-of-the-art word processing equipment and an improved computerized case tracking system in the long range. What will the cost of each of these initiatives be? Did you seek funds for either of these requirements for Fiscal Year 1990? If yes, what level of funding was requested and why was it denied? If no, when do you expect to require funds for these word processing and data-processing upgrades?

ANSWER: Our word-processing equipment is nearly 10 years old and the manufacturer no longer makes the equipment we use. We are experiencing increased down-time with this equipment. The case tracking system is inadequate for providing information on the current status of our workload. It provides reports on our caseload for the month previous. I understand that this delay is due to problems inherent to the system for inputting data and because of limited capacity of the computer.

I have recently conducted a study to evaluate the cost of updating our system. We have tentatively planned three stages. The first stage, which is to replace the existing computers used for word processing and existing printers with flexible, faster, and more powerful personal computers and printers will cost about $150,000.

Eventually, I want to expand on that system to provide every professional with a personal computer for word processing and to take advantage of the various legal research software programs that are becoming available. In addition, because our investigators often write out the affidavits in long hand for the witnesses to sign, I plan to provide each regional office with a few lap-top computers that can be carried on site when conducting investigations. The cost of this stage will be approximately $200,000.

The third stage would require the larger computer which would store the case tracking data and provide instant reports on case details and caseload make up. The cost for the necessary hardware and software for this stage will be approximately $150 - 200,000.

Because our anticipated salary costs for covering the proposed pay raise to executives were not required, and because some unexpected short-term vacancies in the regional offices provided additional lapsed funds, I have already taken steps toward accomplishing the first objective -- replacing the current antiquated word processing equipment. I hope that by the end of this fiscal year I will have made significant progress toward completion of the first stage.

We did not seek funds for these requirements for Fiscal Year 1990. Preliminary estimates were made of the amount of money required to upgrade our word-processing equipment, and it was determined that the estimated cost could not be absorbed within the budget framework provided for our office. I hope to submit a specific request for additional funds with our 1991 budget proposal.

QUESTION: You indicate in your testimony that productivity increases are essential if the Office of the General Counsel is to sustain its current case processing standards in conjunction with the elimination of 5 positions proposed in Fiscal Year 1990. The budget justification indicates that the Fiscal Year 1990 request assumes a 5% increase in productivity and stabilization of intake. Furthermore, it indicates that this projected increase in productivity will constitute an unprecedented increase -- 33% from 1985 -- and assumes increased demands which may impact staff morale and productivity. This seems to say that the productivity increase assumed may not be a realistic one and may have a negative impact on the office's ability to process its workload in a timely manner. If this is the case, what is the basis for the 5 position reduction proposed in Fiscal Year 1990 and what specifically will be done to assure that the increased productivity levels are met?

ANSWER: Essentially, the loss of 5 positions is seen in conjunction with two factors -- the assumed stability in our intake and the increase of 5% in our productivity levels. Both factors are critical if we are to absorb the loss of 5 positions and maintain the timely processing of our cases. All factors are inter-related. Our staff take pride in their work, and the timely disposition of our cases is critical if they are to maintain the high level of their morale. Our experience, both in the past and at the current time, is that backlogs beget a loss of morale -- not the other way around. Unexpected surges in case intake lead to backlogs, and we do not have the resources to handle these surges. In addition, backlogs beget greater backlogs because a backlog diminishes our capacity to settle cases. It has been our experience that the longer it takes to act on charges, the more difficult it becomes to get the parties to settle. We speculate that this is due to parties becoming more locked into their positions with the passage of time.

When this budget was developed, we did not foresee any circumstances which would lead to an unexpected surge in intake in Fiscal Year 1990. We did expect a slight increase in intake in Fiscal Year 1989, and assumed that intake would stabilize at that level. This pattern would be similar to the one seen during the 4-year period from Fiscal Year 1983 through Fiscal Year 1986.

Meeting our productivity goals is dependent upon two factors -- improving the area of labor relations among our clientele and providing our staff with the tools that they need to do their work. We provide training opportunities for our staff, we recognize their positive efforts through our system of awards, and we work to reassure our staff that their function and performance is valuable. We provide the staff with feedback on their performance, so that they know what is expected and can work to meet these expectations. At the same time, Dennis Devaney began and I am continuing a role of increased communications with our clientele. I believe it is essential that we develop a positive relationship with our clientele. We must by education foster a spirit of cooperation among the parties to the labor/management function of the Federal sector. We must also create an atmosphere conducive to voluntary settlement, because the voluntary settlement of approximately 90% of our meritorious cases is essential if we are to meet our goal of increasing productivity by 5% and sustaining the morale of our staff. We constantly monitor our intake and settlement efforts, and work to reduce our backlogs in whatever way we can.

QUESTION: The justification indicates that ULP caseload assumption does not provide for any increase in intake involving issues surrounding the closure of military installations. What impact do you estimate this could have on the office's ULP caseload?

ANSWER: At the present time we do not have a definitive estimate on the scope of this impact. As you can imagine, closing military installations will cause major disruptions to the lives of the individuals and communities involved. There is a potential for many issues to surface -- the redefining of units of representation, issues of jurisdiction of the Statute, issues over the duty to provide information, impact and implementation bargaining, issues surrounding the by-passing of exclusive representatives, issues involving management rights, the duty of fair representation, issues surrounding formal discussions, and issues surrounding official time.

In my discussions with persons within the military agencies who work in this field of labor relations, I have been assured that management is keeping the unions well-informed and plans to keep working closely with the unions. With good communication and participation between both management and the labor organizations, disputes should be kept to a minimum.

We will monitor cases arising from installations scheduled for closing and we hope to have a better feel for the scope of the problem when we submit our budget request for Fiscal Year 1991. We appreciate your interest, and we will keep you advised of circumstances as they develop.

SUBCOMMITTEE RECESS

Senator DECONCINI. The subcommittee will stand in recess until 10 a.m. on April 12. We will hear testimony from the Secretary of the Treasury and the Federal Election Commission.

[Whereupon, at 11:39 a.m., Tuesday, April 4, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 12.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

WEDNESDAY, APRIL 12, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senator DeConcini.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

STATEMENT OF CLAUDINE J. WEIHER, DEPUTY ARCHIVIST, NATIONAL ARCHIVES

ACCOMPANIED BY JAMES MEGRONIGLE, ASSISTANT ARCHIVIST FOR MANAGEMENT AND ADMINISTRATION

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service, and General Government will come to order.

Today the subcommittee will hear testimony from representatives of the National Archives, the Office of Government Ethics, and the Federal Election Commission. Welcome.

I am very pleased to welcome my friend, the senior Senator from Maryland, Senator Sarbanes, for any introduction he cares to make.

NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION

STATEMENT OF HON. PAUL S. SARBANES, U.S. SENATOR FROM MARYLAND

Senator SARBANES. Mr. Chairman, I appreciate the opportunity to come before the committee.

I have a statement that I will submit for the record.

Senator DECONCINI. Thank you.

Senator SARBANES. I will be very brief.

I am a member of the National Historical Publication and Records Commission, designated by the Senate majority leader in the last Congress to be the Senate representative on that Commission.

The Commission is a statutory body affiliated with the National Archives and Records Administration. So I agree with your comment. The Commission is a small part of this picture; however, before I proceed to the Commission, I want to very strongly endorse the work that the National Archives and Records Administration is doing.

As you know, they were given independent status by the Congress, and I think the Archives' Don Wilson has provided really exemplary leadership. I gather he is not here this morning because he is in the Soviet Union on an exchange program.

The Deputy Archivist, Claudine Weiher, is here and will be talking about the broader budget of the National Archives, which I very strongly support. I think they really do an outstanding job on very limited resources.

GRANTS PROGRAM

Now, the National Historical Publications and Records Commission has a grant program, whereby they assist public and private institutions in all 50 States to preserve historical records, to develop sound management programs for archival records, and to further education and research with respect to archives.

It has worked very well. In fact, the majority of the money for such programs comes from non-Federal sources, so that Federal money becomes a sort of catalyst, and it becomes almost a stamp of approval.

If you can get included within the Commission's grant programs it then draws money from elsewhere, because it has passed the review process, and has been judged to be a worthy program.

Now, in every year since 1982, funding for the National Historical Publications and Records Commission has been omitted from the administration's budget. We restore it, but we do it in such a way that the money ends up being taken out of the budget of the Archives.

I really would hope that we might find it possible to move to where the Commission gets its own figure, so it is not put in this competitive position with the Archives.

The Archives has been very good about it. They are very supportive of this program, because they recognize that the overall program is to the Nation's benefit. These are grants for State and local governments, and grants for publications.

Now, last year we passed legislation with new authorizing levels for the Commission's Grant Program. We took it up to $6 million for 1989, $8 million for 1990, and $10 million for 1991, 1992, and 1993. That was an authorization that was signed by the President.

The $4 million which they have been receiving now for about 10 years, if it was adjusted for inflation, ought at this very moment to be $9.7 million. I would like to make a strong plea for an $8 million figure, which is the authorized level. The Commission should be moved out of this, in effect, competitive relationship with its statutory affiliate, the National Archives and Records Administration.

They really do outstanding work. You have got Commission programs all across the country, a network of State historical record advisory boards. States, counties, and cities have developed these government archives and records management programs using Commission resources, and they do a certain amount of publication.

In fact, they are now publishing a documentary history of the First Federal Congress. I have watched that review process at work, and it is really one of very high standards, and under very rigorous scrutiny.

I know our budget situation, but this is a tiny amount of money. It could help to straighten out an important area, and keep this program working well, without a lot of anxiety and concern which has marked it year after year at budget time.

Senator DECONCINI. Well, Senator, I appreciate your being here. You raise a very good question. The committee has looked at it, and quite frankly, you are right, the committee has said, yes; we will fund it, but we will take it out of the National Archives budget.

We will look at your suggestion; our only hesitation is what 302(b) allocation we will get. If we have the money, and you're right, it is a small amount, we will try our best and we will look at this carefully.

I will work with Senator Domenici to see if we can't at least start the precedent with some separate allocation for the Commission, maybe in some mixture or something. This comes to my mind.

Senator SARBANES. You mean a separate allocation, plus a little bit of support.

Senator DECONCINI. Yes; a little bit of support, and we will see what we can do for you. I think you make a very good case that we really have not fulfilled the intent of Congress in the authorization of the funding, to have taken it out someplace else.

Senator SARBANES. Yes.

Senator DECONCINI. The only reason that is done in Congress is because we don't have enough money in our 302(b) allocation, but your being here is going to ensure that we look at it very carefully when we do our markup.

Senator SARBANES. Thank you.

PREPARED STATEMENT

Senator DECONCINI. Thank you, Senator Sarbanes.

[The statement follows:]

STATEMENT OF SENATOR PAUL S. SARBANES

Mr. Chairman, I want to thank you for inviting me to be with you at this hearing on funding levels for the National Archives. I am here today becauswe I have been a member of the National Historical Publications and Records Commission [NHPRC] since 1987 and want to ensure that its important activities are carried on. In the short period I have served on the NHPRC, I have been deeply impressed by the serious nature of the Commission's work and by its achievements. I urge you to provide $8 million for the NHPRC in the next fiscal year.

The Commission was created within the Archives in 1934, first given its own staff in 1951, and authorized to make grants in 1964. In 1975 it was reorganized in its present form and was reauthorized in the last Congress for a five year period. What does the NHPRC do? It is the principal Federal agency responsible for the preservation and compilation of our nation's documentary history. Through its programs it has amassed an outstanding record of providing for the editing and publishing of historical documents, the development of archival programs, and the promotion of preservation and use of documentary source material. It is the premier source of funding to support a wide range of activities relating to America's documentary heritage.

I would like to give you an example of the Commission's work with which all Senators will be familiar. One of the Commission's most important projects is "The Documentary History of the First Federal Congress," a 22 volume compilation of the documents of the First Congress. Senator William Maclay of Pennsylvania kept the only complete record of the proceedings of that Congress from March 4, 1789 to March 3, 1791. With the publication of "The Diary of William Maclay and Other Notes on Senate Debates" by the Johns Hopkins University later this month, Volume IX of the "Documentary History" will be completed. These are exceptionally important historical documents which have never before been made available in an orderly fashion. Many of the original sources now preserved in these volumes may have disappeared without the funding from the NHPRC and the efforts of the editors. Just last week we gathered in the Old Senate Chamber to commemorate the convening of the first Congress. Thanks to the Commission, the records of that historical session will now be preserved.

At a time when we Americans are gaining a new determination to inform our young people about their heritage, to offer them the many streams of history and philosophy that have helped define our nation, we can turn with confidence to the work of the Commission in the preservation and publication of our historical documents. From the battlefield reports of a Revolutionary War general to the diary entries of a diplomat abroad, from the notes of an Edison probing his way to discovery to the jottings of an ex-slave newly emancipated, documents are a direct link to the past, informing us, giving us first-hand testimony, offering an intimate bond to previous generations. These are the sinew and marrow of history.

Unfortunately, funding for the NHPRC has actually declined when inflation is taken into consideration. In fiscal year 1979 NHPRC received $4 million in appropriated funds; and in fiscal year 1989 the funding was the same. Last year's reauthorization bill authorized funding of $6 million for fiscal year 1989, $8 million for fiscal year 1990, and $10 million for fiscal years 1991, 1992, and 1993. The new administration has followed its predecessor in recommending no funding for the NHPRC.

I can attest to the dedicated staff and membership of the NHPRC. Its grant programs are well managed and carefully reviewed to ensure that grantees carry out the work in a timely manner meeting professional standards. NHPRC grants have resulted in major matching funds from private sources. Through a model cost-sharing program NHPRC has used Federal leverage to preserve our documentary heritage resulting in a non-Federal average contribution per project of 53 percent. In its Records Program, the NHPRC has provided grant assistance to states and local historical societies, archives, libraries, and community associations to ensure that valuable historical documents are discovered and preserved.

James Madison, one of the principal architects of the Constitution, once wrote: "The right of freely examining public characters and measures and of free communication thereon is the only effectual guardian of every other right." Only through the preservation of this documentary heritage can we protect these rights. As we celebrate the Bicentennial of the Constitution and its ratification and the convening of the first Congress, we can leave no greater historical legacy than an increased commitment to our written past. We must enable the National Historical Publications and Records Commission to carry on its work at a funding level appropriate to the job before it.

HEARINGS SCHEDULE CHANGE

Senator DECONCINI. I want the record to show that we had some conflict with our scheduling today. The Secretary of the Treasury, Mr. Brady, was scheduled to testify this morning, but due to the budget negotiations he had to cancel in order to permit the committee to finish its business on time.

We have asked the National Archives and the Office of Government Ethics to appear this morning. We sincerely appreciate their willingness to adjust their schedules.

I do not want to indicate that you are less important at all than the Secretary of the Treasury. I realize how busy you are, and it is a great favor to us that you could make yourselves available this morning.

Before we begin the hearings, I would just say that all statements will be printed in the record in full, and we ask that our witnesses limit their oral statements to 5 minutes.

NATIONAL ARCHIVES INTRODUCTION

I will begin with the Deputy Archivist, Ms. Claudine Weiher.

Welcome, Ms. Weiher, and thank you very, very much for your understanding and for being with us today.

Ms. **Weiher**. Well, I am pleased to be here before this committee to present the National Archives budget.

Accompanying me is Mr. James Megronigle, who is the Assistant Archivist for Management and Administration.

As Senator Sarbanes mentioned, Dr. Wilson, Archivist of the United States, regrets very much that he could not appear here in person, but he has had this cultural exchange visit scheduled for over a year, it is the second archival exchange agreement with the main Archival Administration of the U.S.S.R. Council of Ministers, that is, the Soviet State Archives, and, as leader of the delegation he felt that he could not cancel.

PREPARED STATEMENT

With your permission, I would like to submit Dr. Wilson's formal statement, and ask that it be inserted in the record.

Senator **DeConcini**. Without objection, it will appear in the record.

[The statement follows:]

Statement of Don W. Wilson

As NARA nears its fourth anniversary as an independent agency, its continuing primary activity is to preserve the Nation's cultural heritage and make available the documentary record of our national government. To accomplish this, NARA is responsible for the appraisal and disposition of Federal records and for the management, preservation, description, arrangement and availability of those records of permanent value.

Throughout the country in 11 field Archives branches, and here in the National Archives building and several other locations in Washington, we carry out these archival functions and make the Nation's records of enduring value available for research by the Federal Government, scholars, and the general public.

NARA also operates a system of 14 Federal records centers where noncurrent Federal records are stored and serviced economically for Federal agencies until eligible for disposal or transfer to the National Archives. Each year this program results in substantial cost savings for the government by removing records from expensive agency office space to low cost storage space provided by the records center system, and by carrying out an active and effective records disposition program.

In addition, NARA is responsible for publishing administrative regulations, the laws, and Presidential documents, in the *Federal Register* and related publications. We make available to the general public all of the significant rule-making documents of the Executive Branch.

We also administer the system of Presidential Libraries where papers and historical materials of American Presidents, and the papers of their associates, are preserved and made available for research. Each year a large number of visitors view significant historical materials displayed in major exhibits in the Presidential Libraries. In addition, Presidential materials are administered by NARA pending the establishment of Presidential Libraries. We were recently involved in the transfer of Reagan Presidential materials to temporary storage facilities on the West Coast prior to the opening of the Reagan Library. Archival staff have begun the initial processing of records for research use at the future Ronald Reagan library.

Funds are included in the fiscal year 1990 request for the renovation and expansion of the Herbert Hoover Library/Museum in West Branch, Iowa. Badly needed archival and museum storage will be provided and the environmental controls necessary for proper archival storage will be improved by replacing the entire heating, ventilation, and air conditioning systems. A multipurpose assembly area for visitors to the Herbert Hoover Library/Museum will provide a formal orientation to the museum and will permit both live and film presentations on the life of President Hoover. These improvements will allow NARA to continue carrying out the mission of preserving presidential and related historical materials and making them available to the public.

Another of our important activities is the National Historical Publications and Records Commission. Although Public Law 100-365 reauthorized the Commission through fiscal year 1993, including authorization of $8,000,000 in fiscal year 1990, and $10,000,000 in each of the succeeding three years, the budget request does not include funding for grants for fiscal year 1990. The Commission will continue in its advisory capacity, coordinating and making recommendations on high priority publications and records projects, and actively seeking private support for the program.

NARA also reviews for declassification security classified permanently valuable records and historical materials in accordance with Executive Order 12356.

Funds are included in the fiscal year 1990 request for increased staffing to review and release declassified information to the public. The National Archives presently has a backlog of over 317 million pages of 30 year old classified records in its custody that are awaiting declassification. Each year approximatley 40 percent of the records that are accessioned by NARA contain classified information further increasing the backlog. NARA has developed a plan to reduce this backlog; the additional funding and staff will enable NARA to implement this plan and examine for declassification approximately 15 million pages of high priority records in fiscal year 1990, including accessioned records from the Vietnam War. Pages reviewed will be significantly greater in the second year as the new staff becomes more proficient in systematic review.

CHANGES FROM FISCAL YEAR 1989 APPROPRIATED FUND LEVEL

Our request of $122,612,000 is a net increase of $712,000 over the fiscal year 1988 appropriation of $121,900,000. The request includes increases of $407,000 for the declassification program, $2,593,000 for program restorations to partially offset the reductions necessitated to fund the grant program for which no additional funding was provided in fiscal year 1989, $5,000,000 for the Hoover Library repairs and alterations, $961,000 for rent rate changes, $658,000 for increased costs of goods and services, $1,298,000 for operation and maintenance of the Archives Building and Presidential Libraries, and $554,000 for the annualization of the fiscal year 1989 pay raise. These increases are offset by decreases of $1,934,000 for the Reagan Library startup, $600,000 for the Archives Branch relocations, $4,000,000 for grants, $125,000 for the Calvin Coolidge papers, and a one-time cost of $4,100,000 for repairs to the Kennedy Library.

SUMMARY

This budget is basically a continuation of programs at the fiscal year 1989 level and is intended to enable us to carry out our basic mission. Except for increases to fund the Hoover Library renovation and expansion, and to increase declassification staffing, the request represents our assessment of resources necessary to continue the ongoing programs which are NARA's mandated responsibilities.

Thank you for the opportunity to make this statement, Mr. Chairman. I will be pleased to respond to your questions.

SUMMARY STATEMENT

Ms. WEIHER. If I may, I have about a 3-minute summary of our 1990 budget.

Senator DECONCINI. OK.

Ms. WEIHER. The total budget request for the National Archives and Records Administration for fiscal year 1990 is $122,612,000, which is a net increase of $712,000, or only about one-half of 1 percent of our 1989 level.

This very modest increase is the result of the following changes, in the upward direction: About $407,000 for increased work on declassification of archival records; $2,593,000 for program restorations to the Archives budget base, partially to offset the reductions necessitated from the grant program, as Senator Sarbanes discussed; $5 million for the Hoover Presidential Library repairs and alterations; $961,000 for rent rate changes; $658,000 for increased costs of goods and services; $1.2 million for operation and maintenance of the Archives building and our eight Presidential libraries; and $554,000 for the annualization of the fiscal year 1989 pay raise.

These increases are offset in fiscal year 1990 by the following decreases: $1.9 million, approximately, for the Reagan Presidential Library startup fund; $600,000 for the relocation of the Bayonne Archives branch; $4 million for the NHPRC grants; $125,000 for the Calvin Coolidge papers; and $4.1 million for the continuation of the one-time repairs and alterations to the Kennedy Library.

This proposed budget for fiscal year 1990 is a continuation of our current programs at or near their current level, with the exceptions, of course, being the increase for the Hoover Presidential Library upgrading—it is a 30-year-old library, badly in need of repair and additional space—and for the declassification program.

As Senator Sarbanes mentioned in relation to our budget, it does not contain any money for grants, although the Public Law 100-365 reauthorized the Commission through fiscal year 1993, including authorization of $8 million in fiscal year 1990, and $10 million in each of the succeeding 3 years.

Actually, without the grant program the Commission will continue in its advisory capacity, coordinating and making recommendations on high priority publications and records projects.

ARCHIVES II

I would like to also mention briefly two other program activities of the Archives which, although not addressed directly in the budget, may be of interest to the committee.

The first is our progress on our Archives annex—Archives II, as we call it—and, second, the completion of the transfer of all the Reagan materials to California.

Last year this committee heard a presentation on the status of the plans for our annex, and authorization for the project was included in our fiscal year 1989 appropriation, for which we are very grateful.

The first stage of the building project, the concept design, is now complete. The A&E firm presented the design to Archives officials and officials at the University of Maryland in early February, and now they are going to begin their detailed design.

The building is a state-of-the-art building, respectful of the neighborhood, respectful of the site, and truly a 21st century archives building.

REAGAN MATERIALS TRANSFER

Finally, I would like to report the successful and smooth transfer of the Reagan materials to two temporary storage facilities in southern California. A staff is now in place beginning to process the papers, and plan for the move into the Reagan Library in 2 years.

Thank you, Mr. Chairman. We will be pleased to take any questions.

Senator DECONCINI. Thank you.

Following up on your last statement about the Reagan Library, where are those people housed now? Do they rent space?

Ms. WEIHER. Yes; we have two rental locations, one in West Los Angeles, near where the President's office is, and the papers are housed there, along with a small staff of 3 or 4, and we are planning to go up to 12.

But gifts and other artifacts are housed in our Records Center facility a little further away in Laguna Niguel, where we acquired additional space and renovated it.

Senator DECONCINI. Were both of these spaces already leased by the Archives?

Ms. WEIHER. At the Federal building in Laguna, we had some space there already, and then we leased and renovated additional space. The location in West Los Angeles, we leased anew.

Senator DECONCINI. Anew?

Ms. WEIHER. Yes.

Senator DECONCINI. How much space is that, and how many people are there?

Ms. WEIHER. There are 25,000 square feet of space in the West Los Angeles facility, and right now we have about four people there—we are just hiring now—and there are 20,000 square feet of additional space that we acquired in Laguna. We have no people down there, because it is just basically storage.

Senator DECONCINI. The space in West Los Angeles, is that full of the President's papers?

Ms. WEIHER. The space that we rented. Yes; it is.

Senator DECONCINI. That is why you rented 25,000 square feet; you needed that much?

Ms. WEIHER. Yes; there are 20,000 cubic feet of records, and we will be processing many of those records prior to the move to the library.

Senator DECONCINI. Is all of that material there now?

Ms. WEIHER. Nearly every bit of it, except for a small amount of Iran-Contra material.

Senator DECONCINI. Nearly every bit of it.

Ms. WEIHER. Five plane loads full.

Senator DECONCINI. The process is to go through it now, right?

Ms. WEIHER. Yes.

Senator DECONCINI. How long will that take, do you have any estimates?

Ms. WEIHER. It varies with the library. We hope to have a lot of the easier, less restricted materials open when we move to the library in 1991, and processing of the more sensitive materials will go on for 12 or 14 years.

Senator **DeConcini**. Will you staff the library?

Ms. **Weiher**. Yes, sir.

Senator **DeConcini**. You will, and what does that entail?

Ms. **Weiher**. That will probably be about 20 people, eventually, to staff this library.

Senator **DeConcini**. I do not need this now, but if you would supply the subcommittee, at your convenience, what your projections are of that cost—for the people and the quarters.

Ms. **Weiher**. Yes; that is fine.

[The information follows:]

Reagan Library

Our projection for the cost of operating the Reagan Presidential Library is approximately $1,100,000 for program costs and $1,100,000 to operate and maintain the facility.

GRANTS FUNDING

Senator **DeConcini**. Your reauthorization by the last Congress included an authorization level of $8 million for grant programs. If this level of funding were to be provided in fiscal year 1990, how many additional grants could you award, and for what purposes?

Ms. **Weiher**. I am not sure of the additional number of grants, but I think it is the Commission's intent that they would, again, look at it and split the grant funding between the publications program and the records program.

Senator **DeConcini**. Can you give me some estimates of what you think that might be?

Ms. **Weiher**. Yes; I will submit for the record the number that—they have a large backlog of items that they have been unable to fund.

[The information follows:]

National Historical Publications and Records Commission

In recent years, due to funding constraints, the Commission has had to limit the funding available to approved projects to a level well below that requested for full performance. If the grant program were funded in fiscal year 1990 at the full authorized level of $8 million, the Commission would initially raise the average funding level per project to a more realistic level and then would provide support for additional projects, as shown in the accompanying chart. In short we are currently supporting 122 grants at an average of $32,787 per grant; with an $8 million program, we would fund 183 grants at an average of $43,715 per grant.

If sufficient funding were available, additional grants would be made for public and private institutions to attack the most conspicuous and fundamental problems of document preservation: the inadequacy of archival storage facilities and the need for microfilming, processing, and storage of archival holdings to meet preservation needs. More State regrant funding would be provided for historical records projects of special importance within the states; seventeen states already have indicated an intention to apply for regrant funds in the near future. Increased funding would also be made available for the development of local government archives in counties and municipalities throughout the nation.

Many significant documentary editing projects now in the planning stage could be supported at an increased level of appropriation. They include documentary histories of various immigrant groups, the legal papers of Abraham Lincoln, the letters and writings of Japanese-Americans interned in the United States during World War II, and the papers of such notable figures as Robert Taft, Robert E. Lee, Thomas A. Edison, Eleanor Roosevelt, and James Monroe.

COMPARATIVE LEVELS OF GRANT SUPPORT

	At current level (fiscal year 1988 actual)	At authorized level	Percent increase
Available funding	$4,000,000	$8,000,000	
Number of grant awards	122	183	50
Average grant award	$32,787	$43,715	33.3

UNOBLIGATED LAPSED FUNDING

Senator **DeConcini**. Your budget justification shows that you had an unobligated balance of $1.15 million at the end of fiscal year 1988, which did lapse. Why was this funding allowed to lapse? Couldn't it have been used for other activities which didn't have sufficient funding?

Ms. **Weiher**. In the best of all worlds, of course, your funding would be spent down to zero. We have so many variables, and there are so many estimates in our budget, based on reimbursable work authorizations for spending authority that we give to the Public Building Service, for example, which is a large percent of our budget, or printing authorizations to the Government Printing Office, which is another large item of our budget, where we simply have to estimate and forecast.

We have found that about 1 percent of our budget is about as close as we can get without running into a danger of an antideficiency violation after the books close.

Senator **DeConcini**. Well, I don't want this to sound critical at all, this fact that you didn't spend it. I think that is admirable, quite frankly, but when you have programs that also seem to be short of money, like the grants program, I just wondered why you didn't transfer it there and use it.

Was that considered, or did it just slip by you, or what?

Ms. **Weiher**. No; it didn't slip by us. As I say, we have to keep a certain amount in reserve, because even after the books close we get big swings in the direction of items that we have on the books that are very rough estimates, and if we don't keep a reserve of close to 1 percent, or three-quarters of 1 percent, we run a very great risk of running a deficiency.

Senator **DeConcini**. That is really your reasoning then, that you have a policy of keeping 1 to 3 percent in reserve?

Ms. **Weiher**. More like three-quarters of 1 percent, sir.

Senator **DeConcini**. Oh, three-quarters of 1 percent.

Ms. **Weiher**. Yes.

Senator **DeConcini**. Three-quarters to 1 percent in reserve.

Ms. **Weiher**. Yes; but we aim for no more than that.

Senator **DeConcini**. And this ended up, probably, being a little bit more.

Ms. **Weiher**. Yes; a little bit more.

ARCHIVES II UPDATE

Senator **DeConcini**. You touched on the action of the subcommittee, at the urging of Senator Mikulski, on the Archives building at the University of Maryland. Can you give us any further update on that?

Ms. **Weiher**. I would be glad to. I will give a little overview, and then Mr. Megronigle, who has been our Archives project director for this, more or less—and it is almost becoming a full-time job—can add to what I've said.

As I mentioned in my statement, the A&E firm has now completed a preliminary design. That design has been presented to the Archives, to the University of Maryland, to the neighborhood people, to the Prince Georges County government, and to the National Capital Planning Commission, and everybody seems to be very, very pleased with the design, and they have given approval to go ahead with detailed drawings, based on this design.

They have had a peculiar landscape to work with, given the size of this building, concerns in the neighborhood about traffic patterns, about trees, about—there is an archeological site on this site, and so forth—but they have done an excellent job of meeting all these concerns.

The environmental statement has been completed, and they are now moving, as I said, to a detailed design. We have also sent a lease to the University of Maryland, so we are completing the lease agreement that will be the working agreement with the University of Maryland for this building.

We expect the design to be completed in September 1991, and construction to begin—or maybe a little earlier in the summer of 1991, the complete design of the building—with construction to begin in about September 1991, completed in 1993, and then it will take us about 1 year to move into this building, from 1993 to 1994.

It is 1.7 million square feet, a state-of-the-art building, and we are very pleased with the design work.

Senator **DeConcini**. That lease is at no cost to the Archives?

Ms. **Weiher**. The land was provided at no cost.

Senator **DeConcini**. I see.

Ms. **Weiher**. By the University of Maryland. The authorization that Congress provided us was the ability to go out and do basically a lease-purchase. So beginning in probably fiscal year 1995, we will have an annual lease payment for this building.

Senator **DeConcini**. To the University?

Ms. **Weiher**. No; probably to the developer.

Senator **DeConcini**. And we appropriated $6 million?

Ms. **Weiher**. For design, yes, sir.

Senator **DeConcini**. For design?

Ms. **Weiher**. In fiscal year 1988, yes, sir.

Senator **DeConcini**. Is that going to be sufficient?

Ms. **Weiher**. Almost.

Senator **DeConcini**. Do you have any estimate of what the cost of the building is going to be?

Ms. **Weiher**. Yes; the cost of the building is going to be about $205 million plus escalation to the midpoint of construction.

Senator **DeConcini**. Thank you.

I will submit the balance of my questions.

Does Senator Domenici have some questions? Thank you.

Did you care to make some comments?

Mr. Megronigle. Only to add that the National Capital Planning Commission has now approved the site, as well as the concept design for the building, so we have the approvals necessary to go forward with the campus site.

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. Thank you very much.

Ms. **Weiher**. Thank you very much.

Mr. **Megronigle**. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

FY 1990 BUDGET REQUEST

ORIGINAL REQUEST TO OMB

Senator DeConcini: The FY90 budget request for the National Archives is $122.6 million, an amount which represents a reduction of $12.1 million from the FY89 enacted level. In FY90 you are proposing to increase Records Center activities by $1.5 million; reduce Archives and Related activities by $9.2 million; and eliminate grants under the National Historical Publications and Records Commission. If overall staffing proposed for FY90 is the same as the FY89 enacted level, National Archives staffing will be reduced by 17 positions and Records Declassification will increase by 17.

Let's first discuss the proposed increases. Your budget requests an increase of 17 positions and $407,000 to enhance the review and release of declassified records to the public. Your justification states that in FY90, this increased staffing will allow you to examine 15 million pages of high-priority records. Can you tell us about these high priority records and how the increased staffing will affect your backlog?

Ms. Weiher: High priority/high research interest documents requiring systematic review are: (1) State Department Central Decimal Files, Lot Files, and Post Files; (2) Records of predecessor agencies to the Agency for International Development; (3) Records of Military Assistance Command, Thailand; Military Assistance Command, Vietnam; and associated records; (4) Records of the Office of Strategic Services; (5) Records of the Joint Chiefs of Staff; (6) Records of the Army Staff; (7) Records of the U.S. High Commissioner for Germany; (8) Records of the U.S. Senate, Committee on Foreign Relations; (9) Records of the Federal Bureau of Investigation; (10) Records of U.S. Army Commands; (11) Records of the National Aeronautics and Space Administration; (12) Records of Allied Operational and Occupational Headquarters; (13) Records of U.S. Theaters of War, WWII; (14) Records of the Office of Territories, Central classified files; (15) Records of the Office of Naval Intelligence; (16) Records of the Office of Management and Budget; (17) General Records of the Department of Justice, Records of the Special War Policies Unit; (18) General Records of the Department of the Treasury, Records of the National Advisory Council on International Monetary and Financial Policy; and (19) Records of the Office of the Secretary of the Army, 1949-56.

The requested increase in the number of reviewers will enable NARA to complete the systematic review of State Department and predecessor to AID records as they become 30 years old. Additionally we expect to complete the review of such WWII era records as those of the Office of Strategic Services, Office of Naval Intelligence, Department of Justice, and U.S. Theaters of War. In FY 1990, NARA will initiate the review of the records of the Military Assistance Command, Thailand and the Military Assistance Command, Vietnam.

Senator DeConcini: If the 17 staff are provided in FY90, what additional impact will their examination work have on your backlog in future years?

Ms. Weiher: The 17 FTE will at least help keep the backlog from growing. As long as the Records Declassification Division lacks the resources to carry out a vigorous systematic review program, the backlog of records requiring declassification review and the demand for special reviews will continue to grow. Before conducting the systematic review of backlog, staff is obliged to respond first to Freedom of Information Act requests and the mandatory review provisions of E.O. 12356. Second, researchers writing to or visiting the National Archives and seeking access to national security classified records must be given prompt attention.

Senator DeConcini: How many requests a year does the Archives get for access to classified records that have not yet been reviewed for possible declassification?

Ms. Weiher: The time devoted to Freedom of Information Act, mandatory reviews and "special" reviews on behalf of researchers has doubled in the past five years. The number of requests has increased almost fourfold. Following are the number of requests for the last two years and through March of 1989:

Year	No of Requests	ca Pages
1983	114	500,000
1988	512	3,500,000
1989 (Oct.-Mar.)	197	906,000

HOOVER LIBRARY/MUSEUM

Senator DeConcini: I see that $5 million has been requested for the renovation and expansion of the Hoover Library. I am sure Senator Hatfield is happy about this. Is the $5 million included in the budget the entire cost for this project? If so, when will it be completed?

Ms. Weiher: The entire cost is approximately $6.5 million. The Hoover Library Association is now raising funds in the amount of $1.5 million toward the renovation. This is in addition to $5.0 million included in our FY 1990 budget request. Completion is estimated in FY 1992.

OPERATION AND MAINTENANCE/ARCHIVES AND PRESIDENTIAL LIBRARIES

Senator DeConcini: The FY90 Budget also proposes an increase of $1.278 million for operations and maintenance work on the Archives building and Presidential Libraries. Could you provide us with a detailed breakdown of each project by cost? Also, please tell us why these increases are necessary.

Ms. Weiher: The increase is a net of several pluses and minuses including increases in utilities and other operating costs, and repairs and alterations. The largest portion of the repairs and alterations is for cleaning and tuckpointing the exterior of the Archives building.

Senator DeConcini: Your justification states that an increase of $400,000 is necessary for the increased costs of goods and services. Can you provide a breakdown of these costs and explain why these increases are necessary?

Ms. Weiher: The increase of $400,000 for the increased cost of goods and services is based on OMB's inflation factor for federal non-defense non-pay purchases, unless we had some other basis for determining the FY 1990 cost. For example, the worker's compensation payments will increase by 15%, according to information provided by the Department of Labor.

PRESNET

Senator DeConcini: Your justification states that in FY88, the Office of Presidential Libraries completed the design of an automated processing and reference system for historical materials and that you will begin implementation of this program in FY90. How much funding has been requested in FY90 for this project, and what specific activities do you plan to undertake?

Ms. Weiher: No funds are requested in FY 1990 for PRESNET. Funds will come out of our existing base of ADP funds for the Presidential Libraries.

We plan to fully implement PRESNET at the Ford and Carter libraries where prototypes are now in operation in FY 1989. We also plan to begin implementing partial systems at the older Libraries.

FEDERAL REGISTER

Senator DeConcini: I see you have requested an increase of $193,000 in FY90 for Federal Register activities. Why is this increase necessary?

Ms. Weiher: The increase includes $59,000 for goods and services, $10,000 for rent rate changes, $95,000 for program restoration, and $29,000 for the annualization of the FY 1989 pay raise.

PROGRAM DIRECTION

Senator DeConcini: You are proposing a $480,000 increase in your Program Direction budget. $153,000 has been requested for program restorations. What is included in this figure and why is the "restoration" increase necessary?

Ms. Weiher: Program restorations are required to help offset reductions necessitated to fund the grant program during the past few years.

Senator DeConcini: The remaining increase is due to costs of goods and services, operation and maintenance of Archive facilities, annualization of the '89 pay raise and rent charges. Can you provide me with specific details on each of these categories and explain why the increases are necessary?

Ms. Weiher: An increase of $76,000 for goods and services is based on the OMB inflation factor for non-defense non-pay purchases. $172,000 for operation and maintenance costs of the NARA building includes anticipated increases in building contracts, such as cleaning and utilities, and the tuckpointing project. $69,000 is included for annualization of the FY 1989 pay raise in FY 1990 and $10,000 is included for GSA rent rate changes.

CONSULTING SERVICES

Senator DeConcini: You are proposing an $80,000 increase in funding for consulting services in FY90, which is a 10 percent increase over the FY89 enacted level of $800,000 for these services. As you are aware, Congress has shown increasing concerns abut the use of Federal funds for consultants. How do you explain this increase at a time when Congress is asking each agency to cut back in these services?

Ms. Weiher: As directed by the FY 1989 Appropriation Act (P.L. 100-440, Section 527), consulting services will be held to 85% of FY 1987 obligations. FY 1990 consulting is still less than FY 1987, only 93% of it.

Senator DeConcini: Could this work be done in-house? If not, what impact would this have in your programs if Congress froze your consultant fees at the enacted level?

Ms. Weiher: We do not have the expertise in-house to provide some services. For example, we need technical assistance conducting ADP studies, ADP systems design and development, electronic record studies, research and development, and development of engineered work standards. While this assistance meets the definition of consultants, in nearly all cases we receive a product, not just advice.

As a small agency we have to rely on services by outside companies for certain technical and management support. Larger agencies are able to accomplish these activities in-house with their larger staffs.

Without additional consultant funding, we would not be able to accomplish such things as development of an ADP design for the life cycle of records, and development of archival databases.

TRAVEL

Senator DeConcini: You are proposing an increase of $265,000 for travel in FY90. This represents an increase of 61% over your FY89 enacted level of $430,000. How can you possibly justify this sizable increase in your travel budget at a time when Congress is requiring travel to be cut back?

Ms. Weiher: In this budget we are requesting a sizable increase in our travel funds in order to obtain sufficient travel funding to manage our field activities. We have not had adequate travel resources since we became independent in 1985. Each year we have only increased travel for inflation. Upon independence, the GSA regional managemenet structure disappeared and NARA central office became directly responsible for 34 field activities. Current funding is not adequate to perform oversight inspections, and administrative management of our records centers, Archives branches and presidential libraries. In addition, we are responsible for other agency inspections, evaluations and on-site appraisal of records.

By not duplicating a formal regional structure, we have achieved savings in personnel resources. Instead, we established administrative officers in each field activity, who are responsible for budget, finance, and personnel. Yet, we do not have travel funding available to conduct training, to have conferences or to oversee their activities. We have centralized our personnel operations in St. Louis, yet we do not have travel resources to allow personnel specialists to make as many on-site visits for classification reviews as they should. The savings in personnel resources far outweigh the modest increase requested for travel.

With no programmatic increase in travel in FY 1989, we have had to divert travel funds from other programs in order to pay for the travel necessary to move the Reagan papers from Washington to California, and relocate staff to the Reagan site.

NARA's travel budget is less then 1% of our total operating expenses budget. This is proportionally smaller than many federal agencies whose mission is not so national in scope. For example, OPM, of a similar size, also with government-wide responsibilities, has a travel budget of $1.2 million. We do not feel that our request for only $695 thousand is out of line.

ARCHIVES II

Senator DeConcini: In FY89, Congress provided $6 million for the design of the Archives II facility to be located at the University of Maryland. Can you please give the committee an update on this project?

Ms. Weiher: An environmental assessment was conducted from April through August, 1988. In September 1988, a design contract was awarded to an architectural and engineering firm. The design phase will last until the spring of 1990. Construction of Archives II will then begin, with a planned completion date of October 1993. NARA will begin moving into the building in January 1994.

Senator DeConcini: No funds have been requested in FY90 for this project. What work needs to be undertaken in FY90 to keep this project on track?

Ms. Weiher: As I said, the design of the facility will be underway in 1990, and construction will begin. No funds should be needed for the design, as funds were provided in 1988, no construction funds are needed by appropriation in 1990 since we are acquiring the building under a lease purchase agreement. We will need an appropriation of about $25 million per year for rent beginning in 1994 or 1995.

REIMBURSABLE PROGRAMS

Senator DeConcini: I see you expect an increase of $731,000 in your reimbursable services program. Please provide specific details on why you expect this activity to increase in FY90.

Ms. Weiher: The reimbursable program is increasing over FY89 in three major areas. The IRS program is expected to increase by $322,000. Rent rates paid by IRS, SSA, and USPS will increase by $252,000. The microfilming program will increase by $111,000. There is also an increase of $26,000 for general reference and $45,000 for the increased cost of goods and service, offset by a reduction of $25,000 for a reduction in State Department workload.

GIFT FUND

Senator DeConcini: Your budget also requests an increase of $33,000 for your Gift Fund activities. Please provide specific details as to why this increase is necessary.

Ms. Weiher: This includes $16,000 for the increased cost of goods and services which is the estimate for obligations based on OMB's inflation factor for federal non-defense non-pay purchases. $17,000 is an increase in grants to be paid out from funds donated in prior years.

NATIONAL ARCHIVES TRUST FUND

Senator DeConcini: I notice you expect an obligation of an additional $232,000 in FY90 for services related to your Trust Fund activities. Your budget documents indicate this is due to increased costs of goods and services. Can you please provide specific details on this increase in costs?

Ms. Weiher: The increased cost of goods and services is based on OMB's inflation factor for federal non-defense non-pay purchases.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

FY 1988 UNOBLIGATED BALANCE LAPSING

Senator Domenici: The table on page 2 of the Budget Justification indicates that in Fiscal Year 1988, $1.155 million in funding was not spent (i.e., unobligated balance lapsing). What were these funds originally budgeted for?

Ms. Weiher: The unobligated balance that lapsed was originally budgeted for a multitude of items, each lapsing small amounts. Utilities and personnel salary and benefits were some of the largest lapsing amounts. The utilities savings were primarily due to weather related reductions in consumption rates, while personnel savings reflect the difficulty in filling vacancies as rapidly as anticipated. These unanticipated lapsing amounts occurred too late in the year for reprogramming to other purposes and served as a cushion against potential unforeseen year-end increases. As I stated earlier, the multitude of variables within a budget dictate that some amount of funds (around one percent of the program) be available at year-end to cover cost increases, obligations such as reimbursable work authorizations to the Public Buildings Service and printing requisitions to GPO, which are based on estimates which can change substantially when the final bill comes in, and unforeseen situations after the end of the fiscal year to avoid possible violation of the anti-deficiency act.

ARCHIVES II BUILDING

Senator Domenici: The Fiscal Year 1988 Appropriation Act provided $6 million for the design and planning of a new archival facility in Maryland. How much of the

$6 million was obligated by the end of Fiscal Year 1988? How much do you expect to have obligated by the end of Fiscal Year 1989?

Ms. Weiher: All of these funds will be obligated in FY 1989.

Senator Domenici: What is the status of the planning and design work for this new facility?

Ms. Weiher: In September 1988, a design contract was awarded to an architectural and engineering firm. The design phase will last until July of 1990.

Senator Domenici: What is the status of the lease-purchase agreement authorized by the Fiscal Year 1989 Appropriation Act for the facility?

Ms. Weiher: Our construction quality manager, Gilbane Building Company, has contracted with Bear, Stearns and Company, Inc., to provide financing alternatives for Archives II. We are presently working with them on the alternatives.

Senator Domenici: What is the planned schedule for construction of this new facility?

Ms. Weiher: Construction of Archives II will begin in the spring of 1990, with a planned completion date of October 1993. NARA will begin moving into the building in January 1994.

ARCHIVES AND RELATED SERVICES

Senator Domenici: Page 11 of the justification indicates a reduction of 17 work years for the National Archives. From which activities are these 17 FTE positions being taken?

Ms. Weiher: These 17 FTEs are available from the unfunded FTE in the Office of the National Archives.

Senator Domenici: The Fiscal Year 1990 request includes an increase of $5 million for the renovation and expansion of the Hoover Library/Museum. What is the size of the expansion planned for the Hoover Library? Would you please provide this subcommittee with an itemized breakdown of the $5 million requested for the Hoover Library/Museum.

Ms. Weiher: The expansion will be 12,000 sq. ft. including 8,000 sq. ft. of archival/museum storage and 4,000 sq. ft. for an orientation/assembly area.

An itemized breakdown of the $5 million request is as follows:

- Major repairs and structural changes changes to roof.	$1,829,000
- Replacement of heating, ventilation, and air conditioning system.	292,500
- Design and construction of a two story building at the West side of the structure to provide archival and museum storage space (8,000 sq. ft.) and, at the South side of the structure, addition of an orientation/assembly area (4,000 sq. ft.).	2,303,300
- Moving costs related to all memorabilia, artifacts, and cases in present building.	35,000
- New museum casework and furnishings such as drapes, carpet, and furniture.	540,200
TOTAL	$5,000,000

In addition to the $5 million, the Hoover Library Association is donating $1.5 million for exhibit cases and museum furnishings.

Senator Domenici: What is the basis for the $54,000 increase requested for Fiscal Year 1990 for O & M of the NARA building?

Ms. Weiher: The $54,000 represents the Office of Presidential Libraries' portion of the O&M for the space they occupy in the NARA Building. This increase includes inflation increases for such things as utilities, steam, guard service, and electricity to maintain the building.

Senator Domenici: The National Coordinating Committee (NCC) for the promotion of history believes that additional funding is needed for appraising, describing, and servicing records of the National Archives. For example, it maintains that approximately one-third of the records of the National Archives are inadequately described; it indicates that without adequate finding aids, researchers must rely on archival specialists, but major staff cuts in 1982 and limited resources since, have left the Archives short on staff possessing extensive knowledge of the records. Do you agree that such problems exist and, if so, what additional funds would be required to address these problems? If not, why?

Ms. Weiher: In her report "Developing a Premier Research Institution," Page Miller of the National Coordinating Committee for the Promotion of History has identified many characteristics of successful research institutions. From the outset, the Archivist was appreciative of the strong interest of the historical community in the reference needs and operations of the Archives. Indeed, to answer the needs of the varied and broad reference community that the Archives serves will require a strong institutional infrastructure with improvements in other areas as well as in the reference area.

Dr. Miller has outlined several recommendations for improving reference services and enhancing the careers of staff. The Archivist and other senior managers at the National Archives have been studying these recommendations carefully, and in the coming weeks will be determining which ones can be implemented in the near future and which ones require continued analysis. The budgetary implications of some recommendations are substantial.

NARA is an institution blessed with highly skilled and dedicated employees of whom we are extremely proud. Unfortunately, reductions in force (RIFs) which occurred in 1981 and 1982 took a major toll on the Archives, a toll from which we have not yet fully recovered. To be sure, many of those staff lost during the RIFs were young professionals just beginning their training in NARA holdings and researcher needs. Indeed, the Archives lost virtually an entire generation of professional staff, staff which today would be well-trained and knowledgeable in the holdings of the Archives and well-seasoned in responding to needs of NARA's several research constituencies. To be specific, the staff of the Archives supported by appropriated funds is smaller now than in 1980, while the size of our holdings and the complexity of the issues posed by modern records such as those created by computers and office automation technology has increased greatly during this period. A recently completed survey of holdings shows that 29% of the records in the custody of the Office of National Archives in the Washington, DC area require description at the subgroup, series, or subseries level. Descriptive control will facilitate reference as well as the move to Archives II. Clearly, the areas of preservation and appraisal, basis archival functions along with reference and description, equally deserve an infusion of new resources and thoughtful attention to build the strong organizational infrastructure so fundamental to a premier research institution.

Although not cited in the report, the physical facilities that house the Archives' research holdings and staff are also extremely important. The working conditions for many NARA staff and the quality of services available to researchers have been adversely affected by the crowded and antiquated conditions of our Washington area facilities. These problems will be alleviated by Archives II, the new facility planned for the National Archives to be located on the University of Maryland campus in College Park, Maryland. Although new, modern facilities are not the answer to all of the issues raised in the report, we believe that Archives II offers significant progress for both staff and researchers. Moreover, we recognize the enormous problems for researchers that inadequately described records pose, but the National Archives is taking steps to address these problems.

The premier research institution of which Dr. Miller speaks is the goal of the National Archives as well as the user community, and we look forward to working with users and NARA staff in making substantive improvements in the quality of archival work.

RECORDS CENTERS

Senator Domenici: You indicate in your testimony that the Federal Records Center program results in substantial cost savings for the government each year by removing records from expensive agency office space to low-cost storage space. The Budget justification indicates that $22.0 million in savings in space and equipment costs were realized in Fiscal Year 1988, and savings of $25.1 million in Fiscal Year 1989 and $26.4 million in Fiscal Year 1990 are anticipated. Would you please explain how these savings are calculated?

Ms. Weiher: Cost avoidance is based on calculating the cost to store records in agency space. A value is placed on the square footage of office and storage space, plus the value of the number of file cabinets amortized over forty years and shelving.

Senator Domenici: The budget justification indicates that savings of approximately $343,000 were achieved in the Records Centers by implementing an incentive awards program in Fiscal Year 1988, i.e., employees who achieve productivity increases resulting in savings to the government receive awards equaling one-fourth of the government's savings. Would you please specify the type of productivity increases achieved by employees in Fiscal Year 1988; the number of awards given under the program in Fiscal Year 1988 and the amount of each award given.

Ms Weiher: Performance standards were developed in the major work categories of the Records Centers. Employees who regularly exceeded these standards by fifteen or more percent during a three month period were eligible for awards. Increased productivity is calculated based on work hours saved. Employees were then given twenty-five percent of this savings based on their current rate of pay. In 1988, there were 769 awards ranging from a low of $50 to a high of $825 with an average award of $193.

DECLASSIFICATION

Senator Domenici: You indicate that the National Archives presently has a backlog of over 317 million pages of 30-year old classified records awaiting declassification. In addition, you indicate that approximately 40% of the records accessioned by the Archives each year contain classified information further increasing this backlog. How many pages does this represent, on average?

Ms. Weiher: Forty percent of accessioned records containing classified information is approximately 60 million pages a year.

Senator Domenici: What percent of the backlog of classified records do the Vietnam War records comprise?

Ms. Weiher: The Vietnam War records comprise 18.9% of the backlog of classified records.

Senator Domenici: Page 4 of the budget justification shows an increase of $441,000 in Fiscal Year 1990 for records declassification. The narrative on page 5 indicates that an increase of $407,000 is requested for the declassification program. What is the difference between these two figures?

Ms. Weiher: The $34,000 difference includes $11,000 for program restorations, $19,000 for annualization of the 1989 pay raise and $4,000 for increased the cost of goods and services.

NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION

Senator Domenici: As in past years, no funds are requested in Fiscal Year 1990 for National Historical Publications and Records Commission (NHPRC) grants, for which $4 million was provided for Fiscal Year 1989. What reductions were necessary in other activities of the National Archives and Records Administration in Fiscal Year 1989 to provide the $4 million required for the NHPRC grant program? Please be specific as to the activity and the level of funding reduction required.

Ms. Weiher: The $4 million reduction was taken from purchases that could be deferred from the Records Center program ($1.8 million), the Office of National Archives ($1.0 million), Presidential Libraries ($.9 million), and the Federal Register ($.3 million).

Senator Domenici: Are restorations of all these funding reductions being requested for Fiscal Year 1990? If not, which activities are not receiving funding restorations?

Ms. Weiher: The Fiscal Year 1990 restoration ($2.593 million) will be applied to all activities that were reduced in Fiscal Year 1989 with the exception of the Records Centers which will be restored by $356 thousand.

Senator Domenici: Did the Archives' original Fiscal Year 1990 budget submission to the OMB include funding for the grant program? If so, how much was requested?

Ms. Weiher: The FY 1990 budget request to OMB included $8,000,000 for the grant program.

Senator Domenici: If the NHPRC grant program was to receive no funding in Fiscal Year 1990 as requested, what activities would be undertaken to solicit private support for the program? Do you believe the level of funding authorized for the program could be attained through private contributions? If yes, why? If no, why not?

Ms. Weiher: We do not believe that the level of funding authorized for the program could be attained through private contributions. Since 1981, the NHPRC has mounted a vigorous effort to increase private contributions. We have achieved some positive, but limited, results. Staff visits to university officials have brought some increased institutional support to some projects; no relief to others. Attempts by NHPRC and project staffs to interest private donors have also been moderately successful. Since the major fundraising drive began, Commission-supported projects have raised approximately $6 million.

Most foundation officials are frankly skeptical about the possibility of the private sector replacing federal support in this area. With the rapidly escalating demands on the resources of most charitable organizations, the fields of documentary editing and archival preservation do not occupy positions of high priority. Also foundation officials have indicated that ongoing projects cannot expect private philanthropy to supply total support for staff salaries and operating costs. Robert Payton, former president of the Exxon Education Foundations, said recently that "charity and philanthropy operate at the margins. They cannot address base budget problems."

Whether or not appropriated grant funds are available, Commission staff will pursue its campaign to interest the private sector in projects supported by the NHPRC. Staff members will continue to visit presidents of universities to encourage greater institutional commitment and will help project editors to solicit private funding.

Senator Domenici: You indicate in your testimony that although the Fiscal Year 1990 request includes no funding for grants, the commission will continue in its advisory capacity, coordinating and making recommendations on high priority publications and records projects. The workload factors' table included in the budget justification indicates that in Fiscal Year 1990 a 25% reduction in the number of grants/projects reviewed and 50% reduction in the number of grants awarded/projects by the commission is expected. What is the basis for the decrease in these workload projections below the Fiscal Year 1989 levels?

Ms. Weiher: Grant applications would decrease once it became known that funding was unavailable; however, many projects would continue to request the Commission's endorsement and assistance in raising private funds. The Commission would continue to review proposals and would give its endorsement to worthy projects, but without concomitant grant awards. The 50% figure represents these endorsements of projects as well as grants from funds made available through private donors.

Senator Domenici: The National Coordinating Committee (NCC) for the promotion of history is urging us to provide the full $8 million authorized in P.L. 100-365 for the commission. NCC argues that the NHPRC grants have resulted in major matching funds from private sources that would not have been available otherwise. It also points out that requests for NHPRC grants far exceed the availability of funds and no funding for these grants will mean the end of the records preservation program and termination of the publications projects. Do you agree? If so, why? If not, why not?

Ms. Weiher: We agree with the NCC's assessment. Indeed, it is the availability of modest levels of federal funding that stimulates additional support for projects from their host institutions and from private foundations, and the proven value of the projects implied by Commission support that attracts matching funds from private donors. Absent Federal funding, it is likely that private support would actually fall off.

Without NHPRC funding, it is likely that 27 of the 48 currently active documentary editing projects would have to close down completely, the work of the remaining projects would be seriously impeded, and no new projects could be started.

Archival and records management projects now funded under the records grant program would also be severely jeopardized. State and local governments would be called upon to provide increased funding for public records projects in their jurisdictions. Non-Federal support could probably be secured for no more that 5% of the projects now receiving grant assistance from the Records Program.

QUESTIONS SUBMITTED BY SENATORS DENNIS DeCONCINI AND PETE V. DOMENICI

NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION

Senator DeConcini: I see the Administration has once again eliminated funding for research grants to support historical publications. The budget justification states that funding for this program should be secured through private funding. Can you give me some examples of the grants which were awarded in FY89 to support this program.

Senator Domenici: What publications and records programs are receiving grant funds in Fiscal Year 1989. Please be specific as to the project and the amount of the grant received.

Ms. Weiher: The information follows.

NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION

FY 1989 Grants Awarded Through March 31, 1989

Records Program

National Projects

Research Libraries Group, Mountain View, CA: $385,697 to expand the database of descriptions of public records in its Research Libraries Information Network (RLIN). Participants are 6 state archives (Georgia, Kentucky, Oregon, Massachusetts, Nevada, Virginia), the District of Columbia Archives, the Georgia Historical Society. (89-046)

Image Permanence Institute, Rochester Institute of Technology, Rochester, NY, $60,239 to continue research into the use of sulfiding treatment to protect microfilm, negative duplicating film, and archival prints against oxidation deterioration ("redox blemishes" or "red spots"), even when stored under adverse conditions. (89-042)

Society of American Archivists, Chicago, IL: $34,400 for the final year of a three-year program of the SAA education office to sponsor continuing education for mid-career archivists. (89-014)

National Association of Government Archives and Records Administrators, Sacramento, CA: $1,955 for a project to evaluate local government records projects that have received grant funding from NHPRC. (89-045)

National Recreation and Park Association, Alexandria, VA: a supplemental matching grant of $13,230 for the two-year project to establish a records management program for NRPA records and to complete the processing of its pre-1965 records located at the Social History Welfare Archives of the University of Minnesota. (88-060+)

State Projects

Windham Textile and History Museum, Willimantic, CT: $2,500 for a consultant to make recommendations on an appropriate records management program for the museum as well as recommendations for the construction of appropriate archival facilities for housing the museum's archives and special collections. (89-013)

New Jersey Division of Archives and Records Management, Trenton, NJ: $40,900 to develop four units of a series of training modules in archival and records management theory, methodology, and law for state and local government officials. The modules will integrate a professionally produced videotape, printed workbooks, and personal instruction. (89-015)

Florida State Historical Records Advisory Board, Tallahassee, FL: $5,000 for continued support of travel and meeting expenses of the board. (89-034)

Virginia State Historical Records Advisory Board, Richmond, VA: $50,000 for a two-year regrant program directed at the state's public and private manuscript repositories. The project will develop a statewide preservation plan for archives and manuscripts and support conservation/preservation surveys in up to 40 manuscript repositories. (89-035)

California Association for Research in Astronomy, Pasadena, CA: $4,949 for a consultant to assist the association in developing an archives to document the construction and later operation of the W.M. Keck Observatory in Mauna Kea, Hawaii. The observatory represents the first major advance in observing power since the 1940s. (89-036)

Shelburne Farms, Shelburne, VT: $40,273 for a two-year project to establish an archival program. Developed in the late 1880s, Shelburne Farms was noted for the incorporation of conservation principles in its overall landscape design, as well as its innovative livestock breeding and agricultural programs. (89-037)

Museum of Modern Art, New York, NY: $54,504 for a two-year project to appraise, arrange, describe, and preserve the museum's historical records, and to make those records accessible to the public. (89-038)

Jackson State University, Jackson, MS: $5,000 for a consultant to help in planning the survey and collection of organizational and business records and personal papers of black 20th-century Mississippians. (89-044)

Lauderdale County Department of Archives and History, Meridian, MS: $76,240 to establish an archives and records management program for the records of Lauderdale County and the City of Meridian. (89-047)

Pueblo of Zuni, Zuni, NM: $2,862 for a consultant to assist in developing a plan for the archival preservation of Zuni Pueblo tribal records and other historical materials. (89-048)

Tulane University, New Orleans, LA: $87,500 to establish the H. Sophie Newcomb College Archives. The focus of the project will be to develop an archival program and establish the retention schedules and appraisal criteria that will ensure access to Newcomb College records located throughout the university. (89-052)

University of Oklahoma, Norman, OK: $25,700 for interview expenses in connection with an archival fellowship. Partial funding for the NHPRC archival fellowship program is provided by the Andrew W. Mellon Foundation. (89-053/89-M18)

New York State Archives and Records Administration, Albany, NY: $25,700 for a fellowship in archival administration. Partial funding for the NHPRC archival fellowship program is provided by the Andrew W. Mellon Foundation. (89-054)

Florida State Historical Records Advisory Board, Tallahassee, FL: $51,656 to study the issues surrounding information technology and public records in the State of Florida. (89-055)

Texas Historical Records Advisory Board, Austin, TX: $4,991 to support travel and meeting expenses of the Texas Board. (89-056)

Iowa State University of Science and Technology, Ames, IA: a $11,185 supplemental grant for a project to deacidify and encapsulate drawings and blueprints in the Warren H. Manning Landscape Collection. The collection represents the most comprehensive body of material related to Manning, a contemporary of Frederick Law Olmsted. (88-116+)

Publications Program

Documentary Editing Projects

University of California, Berkeley
Berkeley, CA (89-001)
$53,000 Emma Goldman Papers

University of Kentucky
Lexington, KY (89-002)
$20,000 Henry Clay Papers

University of Illinois
Champaign, IL (89-003)
$15,000 Jessie Benton Fremont Papers

The American University
Washington, DC (89-004)
$70,000 Daniel Chester French Papers

Baruch College, City University of New York
New York, NY (89-005)
$42,000 Papers of Albert Gallatin

George C. Marshall Research Foundation
Lexington, VA (89-006)
$53,000 Papers of George Catlett Marshall

Queens College, City University of New York
Flushing, NY (89-007)
$29,000 Papers of Robert Morris

University of Massachusetts
Amherst, MA (89-008)
$20,000 Papers of Elizabeth Cady Stanton and Susan B. Anthony

Pomona College
Claremont, CA (89-009)
$35,000 Correspondence of Charles Sumner

Supreme Court Historical Society
Washington, DC (89-010)
$69,000 Documentary History of the Supreme Court

University of New Mexico
Albuquerque, NM (89-011)
$27,000 The Vargas Project (Journals of Diego de Vargas)

George Washington University
Washington, DC (89-012)
$129,000 Documentary History of the First Federal Congress

South Carolina Historical Society
Charleston, SC (89-017)
$35,000 Papers of Henry Laurens

American University
Washington, DC (89-018)
$14,000 Papers of Frederick Law Olmsted

University of Maryland
College Park, MD (89-019)
$70,000 Freedmen and Southern Society Project

University of Wisconsin
Madison, WI (89-020)
$88,000 Documentary History of the Ratification of the Constitution

Yale University
New Haven, CT (89-021)
$47,000 Frederick Douglass Papers

The Johns Hopkins University
Baltimore, MD (89-023)
$20,000 Dwight D. Eisenhower Papers

Fordham University
Bronx, NY (89-024)
$25,000 The Diary of Elizabeth Drinker

Rhode Island Historical Society
Providence, RI (89-025)
$54,000 Papers of General Nathanael Greene

Ulysses S. Grant Association (Southern Illinois University)
Carbondale, IL (89-026)
$45,000 Ulysses S. Grant Papers

Duke University
Durham, NC (89-027)
$39,000 Jane Addams Papers

Institute of Early American History and Culture
Williamsburg, VA (89-028)
$20,000 Papers of John Marshall

University of Tennessee
Knoxville, TN (89-029)
$68,000 Papers of Andrew Johnson

Florida State University
Tallahassee, FL (89-030)
$25,000 Black Abolitionist Papers

University of Tennessee
Knoxville, TN (89-031)
$44,000 Papers of Andrew Jackson

Clark University
Worcester, MA (89-032)
$37,000 The Papers of George Rapp's Harmony Society

Indiana Historical Society
Indianapolis, IN (89-033)
$1,700 Maclure-Fretageot Correspondence

University of California, Los Angeles
Los Angeles, CA (89-039)
$33,000 The Marcus Garvey Papers

University of Arizona
Tucson, AZ (89-040)
$27,000 Documentary Relations of the Southwest

New York University
New York, NY (89-049)
$28,000 Margaret Sanger Papers

Claremont Graduate School
Claremont, CA (89-050)
$61,000 Salmon P. Chase Papers

Rice University
Houston, TX (89-051)
$37,000 Jefferson Davis Papers

Publication Subventions

University Press of New England
Hanover, NH (89-041)
$12,220 The Correspondence of Roger Williams (2 volume set)

University of Pittsburgh Press
Pittsburgh, PA (89-043)
$6,000 The Papers of Mother Jones, Volume 1

Senator DeConcini: Do you think this work would have been done without Federal assistance?

Ms. Weiher: More than half of the projects would likely close down, no new projects would be started, and work on remaining projects would be highly affected if no Federal assistance is given to the grant program.

JOHN F. KENNEDY LIBRARY

Senator DeConcini: Last year, the Congress provided $4.1 million for construction activities at the John F. Kennedy Library in Boston. Can you give us an update on this project and explain why no funds were requested in FY90 to continue this project?

Senator Domenici: The Fiscal Year 1989 Appropriations Act provided $4.1 million for continued construction at the John F. Kennedy Library in Boston, Massachusetts. What will these funds be used for and what is the projected schedule for obligation of these monies? What is the total amount of funding available for the Kennedy Library which has not been obligated to date? Would you please provide a breakdown of all funded work scheduled at the Kennedy Library.

Ms. Weiher: $4.1 million was provided in FY 1989 to continue construction of a building addition to the Library in order to increase archival and museum storage and meeting space at the Library. These funds are in addition to the $5.2 million provided in FY 1985. Funds have already been obligated for the design portion of the building addition and also for a survey done in order to construct a boat dock. The remainder of funds will now go toward the actual construction for the building addition. The remainder of funds which have not been obligated is $8,446,000.

The construction contract will be let within the next 3 months. Within six months the remainder of the funds will be obligated with the signing of the construction contract. Eighteen months is estimated for construction with completion estimated for the spring of 1991.

The boat dock project has been turned over to the Commonwealth of Massachusetts, which has assumed responsibility for the project.

No funds are requested in FY 1990 because funds already provided are no year funds which are carried forward, and we feel this amount is sufficient to complete the building addition.

FY 89 SUPPLEMENTAL

Senator DeConcini: The FY 89 Supplemental Appropriation request presented to the Congress by President Bush proposes a funding reduction of $1.075 million for the operating expenses of the National Archives. If this supplemental is agreed to, what specific activities will be delayed, cut-back or eliminated to cover this reduction? What specific impact will it have on your programs in FY 89?

Senator Domenici: The Fiscal Year 1989 Supplemental Appropriations package submitted by the Administration proposes to offset funding increases requested through an across-the-board cut in residual discretionary programs. For the Archives, a $1,339,000 reduction in funds appropriated for Fiscal Year 1989 is proposed. What would be the impact on the Archives of this proposed funding reduction?

Ms. Weiher: NARA has already absorbed $5,695,000 out of our FY 1989 operating expenses base. This included $4,187,000 for Grants and Kennedy Library alterations and $1,508,000 for the FY 1989 pay raise. Adding a 1.1% reduction to the amount already absorbed amounts to a 6% reduction to our FY 1989 appropriation.

38% of our FY 1989 appropriation is budgeted for fixed space costs, such as rental of records center space and maintenance of the Archives building and Presidential Libraries. We have already deferred some maintenance of the Archives Building and Presidential Libraries. Any reductions to our funding must come from the remaining funds programmed for personnel and projects.

Our most critical need is to fill positions to handle increases in workload caused by a growth in our records holdings from such things as, the Holocaust, Iran-Contra Special Prosecutor Files, Congressional investigations, Vietnam, and records of the AIDS Commission.

Also impacting us are the impact of electronic records, the backlog of records requiring preservation, and the description of our holdings.

Absorbing a reduction halfway through the year is extremely difficult because we have already planned and programmed the funds appropriated. While we will have to defer projects and hiring in order to find this amount of funding, we will also have to reduce expenditures for procurements of supplies and services almost to zero.

PRESERVATION/CONSERVATION OF RECORDS

Senator DeConcini: Your justification also mentions the need for a long-term preservation plan to conserve the vast backlog of documents at Archive facilities. However, I see that no funding has been included in the budget to implement this 20-year project for FY90. Could you tell us about the archival conservation plan--What steps are required to protect valuable records and how much money is necessary to get this plan underway?

Senator Domenici: The budget justification indicates that the Fiscal Year 1990 funding request for preservation is held to the Fiscal Year 1989 level and that no additional funding for preservation activities will be requested until the current 20-year preservation plan is revised. When do you expect to have a revised preservation plan completed? What do you estimate the current backlog of preservation work to be?

Ms. Weiher: The original preservation plan was designed in 1983-85 and was to run from 1986-2005, at a cost of $11.3 million per year. However, an increase in preservation funds was never provided and consequently we have only been spending $7 million per year. The need for revision of the 20-year preservation plan was realized in 1986-87. The plan needs to be extended out beyond 2005 to compensate for the lower annual funding rate, to factor in the knowledge we have gained in the last few years and to fine tune the plan.

Workload rates are now available for holdings maintenance to refine estimated time of work and costs. New cost data is available for conservation laboratory treatments. Also, much of the preservation work was predicated on the need to protect records from wear and tear of reference usage; thus, there is a need to refine, analyze and study reference usage patterns to develop meaningful categories of use. Since there are new categories of usage, holdings maintenance, and conservation laboratory treatment, a sample survey will have to be conducted again with these new categories in mind, so a more accurate estimate of the overall preservation workload may be made.

Revision of the 20-year preservation plan is currently underway. Statisticians from the Department of Transportation's (DOT) Transportation Systems Center are assisting NARA in producing a long range preservation plan. DOT will first assess the reference usage patterns and develop categories of usage which reflect degrees of wear and tear expected. New holdings maintenance work standards will be used to develop types of holdings maintenance work. Types of conservation laboratory work will also be used. Records will be resurveyed, workloads estimated, and a new plan will be developed by the beginning of FY 1990. Once we have analyzed the plan, we will determine ifadditional resources are needed to implement it for the FY 1992 budget process.

Senator DeConcini: Did you request funds of OMB in your FY90 budget submission for this project? If so, please tell us about your request and what the funds would have been used for?

Ms. Weiher: The FY 1990 submission to OMB requested an increment of $1,577,000 and 4 FTE for preservation. This funding was not associated with the 20-year plan. While the revised preservation plan is being developed the volume of non-textual materials is growing, increasing the preservation backlog and placing NARA further behind in its preservation efforts. Funding is needed to expand non-textual preservation contracts to handle the growing volume of non-textual materials which continues to increase the backlog of non-textual preservation. The purchase of new conservation laboratory equipment is needed to keep pace with the increasing volume of textual materials that require immediate preservation effort. Replacement of obsolete equipment would enable NARA to keep pace with the technical advances in machine readable recordkeeping and other special media. These needs are immediate and are not contingent on the alternate strategies the revised preservation plan will address.

Senator DeConcini: What will happen if funds are not provided in FY90 to undertake your conservation project? How will it affect the threat to historic documents and your backlog of records needing treatment?

Ms. Weiher: Without the additional funding, preservation will continue at the 1989 level. The current backlog of high risk paper documents includes 160 million pages that have already suffered some damage, 100 million pages that are subject to damage by frequent handling and 270 million pages that are deteriorating "quick copy" reproductions of the 1940s, 1950s and 1960s. In two decades, the Archives holdings will grow to well over four billion sheets. Since NARA usually receives papers many years after they have been prepared or collected by the agencies, many of these papers may already have deteriorated. This will increase the number of high risk paper documents.

OFFICE OF GOVERNMENT ETHICS

STATEMENT OF FRANK Q. NEBEKER, DIRECTOR

ACCOMPANIED BY:

BOB LAMMON, FISCAL OFFICER
DONALD E. CAMPBELL, DEPUTY DIRECTOR
JANE S. LEY, DEPUTY GENERAL COUNSEL

INTRODUCTION OF WITNESSES

Senator **DeConcini**. Our next panel will consist of representatives from the Office of Government Ethics.

Our lead witness this morning will be Judge Frank Nebeker.

This is the Office of Government Ethics' first appearance before this subcommittee, so we would like to extend a warm welcome to you, Judge.

The Office of Government Ethics, until last fall, had been part of the Office of Personnel Management. Public Law 100-598 established the Office of Government Ethics as a separate agency as of October 1, 1989.

So please introduce whom you care to, Judge, and your full statement will appear in the record. You may proceed.

Judge **Nebeker**. Thank you, Mr. Chairman.

I have brought my experts with me. I present Don Campbell, the Deputy Director of the Office.

Senator **DeConcini**. Good morning, Mr. Campbell.

Judge **Nebeker**. Jane Ley, the Deputy General Counsel, and Bob Lammon, our Fiscal Officer.

They are, as I say, my experts, because this is a first for me, so I am glad for their experience of advocating for a budget for the Office. As you have observed, we have, in effect, been booted out of the nest by OPM and the Congress, and so we are on our own, and we will do the best we can.

Senator **DeConcini**. Judge, it wasn't a boot, it was just a launching, we hope.

OFFICE OF GOVERNMENT ETHICS ORGANIZATION

Judge **Nebeker**. Well, its time had come, Mr. Chairman, and the Office, I think, can function very well in its independent status.

I might add, it is one of the most professional staffs I have ever had the privilege of working with in my 25 or 30 years of Government service.

As you observed, the Office was reauthorized last fall, this time for a 6-year period. The authorization, and the authorized appropriation level, has been raised from $2 million in the past, to $2.5 million for this current fiscal year, and then thereafter, to $3.5 million.

As you might guess, we are asking at this juncture for almost the $3.5 million for fiscal year 1990, and I think I am prepared to justify that kind of an increase.

First of all, I will remind you that a few years ago hardly anybody knew about the Office of Government Ethics, but we have been in existence since 1978. For some reason or another, ethics has become a household word, at least insofar as the Federal Government is concerned, and indeed, a lot of the State governments, also.

Our Office seems to be mentioned almost every day in the media in one form or another, and the public is beginning to understand a little bit more about what the Office does. Let me summarize six of the functions that the Office must expand with the added attention, not only by the media and the public, but by the President, with regard to ethics, so-called, in Government.

Permit me, if I may, to make one observation of a philosophical nature. I am convinced, after my tenure in the Office, that ethics is probably a misnomer. Indeed, I will say it is a misnomer.

This is a code of laws, and, indeed, emanating from the Office of Government Ethics, because of its policy responsibilities, is a sort of a common law. Not too many folks are aware of it, but the designated agency ethics officials, those who talk the jargon, if you will, are keenly aware of the existence and growing of this body of common law.

It is law, not ethics, because it is enforceable, it is generally in writing, either in opinion form, regulatory form, or, of course, in statutes.

So, with that background as to what the Office of Government Ethics is about, let me develop.

OFFICE OF GOVERNMENT ETHICS AUTHORITY

We do have a great deal of regulatory authority, and I might add in this context, that, consistent with what you no doubt have read about the President's commitment to ethics, we can soon expect a new Executive order, and a new administration proposal on ethics legislation, which will be, as you know, from the Commission. The Commission's recommendation is far beyond simply the amendment of one or two criminal statutes.

Of necessity, by virtue of both documents—the act, whenever it is passed, naturally, and the Executive order—the Office is going to have a tremendously increased responsibility respecting regulatory authority, and in many instances, Mr. Chairman, we are going to have to go back to the drawing board, back to square one.

It is not a matter of building on old regulations, it is a matter of brand new ones.

The Office also has a responsibility, as you perhaps know from your other activities in the Senate, to review financial disclosure forms that are submitted by all the Presidential nominees, particularly those who are to be confirmed by this body.

Your colleague in the Government Operations Committee, Senator Carl Levin, has been particularly attuned to the need for this Office to expand on its educational role, both in Government and for the public.

Of necessity, then, my budget reflects an increase to meet the demands—legitimate demands—of our oversight committee to increase education and public awareness of the rules and regulations dealing with ethics in Government.

It is only in this way that we can avoid the pitfalls of the past, and the loss of confidence in the Government that develops from it.

We, on a daily basis, consult and advise all executive agencies, and I am afraid there is going to be some proposals whereby we will be advising and consulting with other branches of Government, respecting ethics rules and regulations.

I have often put it this way: I have got staff, particularly Ms. Ley here, who I am convinced is a ripe candidate for an orthopedic bill. She spends much of her time on the telephone, in consultation, with her head off to one side, and I keep telling her, "Straighten up."

Senator DECONCINI. Why don't you buy her one of those——

Judge NEBEKER. We will have to do that.

Senator DECONCINI. You can put that in——

Judge NEBEKER. Our 1990 budget. [Laughter.]

OFFICE OF GOVERNMENT ETHICS REAUTHORIZATION

Another thing that the reauthorization legislation did is, it made more specific the correct and proper authority of the Office, and that is going to require considerable expansion into adjudicative functions as well.

We monitor and evaluate the ethics programs of the various agencies in the Federal Government, and I must say that in the past, with our limited resources, we have been barely able to scratch the surface, in terms of monitoring other agencies.

We go into a large agency, and deal with a minor segment, and then deduce, from what we have discovered there, that there may be problems of a similar nature throughout the rest of the agency, and we really need to enlarge that function, too.

Therefore, the need to restructure the Office, under reauthorization, a new Executive order, and any new legislation that comes down in the next few months, will require us to have a factfinding, adjudicatory group within the Office.

We want to go to a desk officer system, not unlike what the State Department has for the various countries, we will do it for the agencies in the executive branch.

Again, your colleague, Senator Levin, has requested that we report empirical data—statistical data—of all kinds to the oversight committee, legitimate request, and we, therefore, must expand our statistical retrieving capability, and that is built into the budget, as, indeed, I have indicated our expanding role in education.

Thus, we come down to a $3,414,000 budget for fiscal year 1990, representing an increase of $674,000 for salaries, and the attendant benefits. We propose to enlarge our FTE level from 35 to 53, in order to meet the increase, the demands, and, Mr. Chairman, I doubt that is going to be enough, in light of what is coming in terms of responsibilities that we had not, heretofore, realized would befall us.

We, therefore, are also asking for a $717,000 increase for mandatory expenses. We just moved, because we outgrew our quarters. Being independent, we now have to pay rent. That amount of money was in OPM's budget before, and not readily apparent and ascribable to our Office, but it is, of course, up front now where everyone can see.

We have travel, we have supplies, and it is absolutely necessary that we have capability, computerwise, to keep all our records and our data.

PREPARED STATEMENT

That concludes my statement, Mr. Chairman.

I would be happy to entertain questions that you might have.

[The statement follows:]

STATEMENT OF FRANK Q. NEBEKER

I appreciate your invitation to appear before this Subcommittee to discuss the President's request for appropriations for the Office of Government Ethics for Fiscal Year 1990. This is OGE's first congressional budget as a separate agency. Our six-year reauthorization last year (P.L. 100-598) established OGE as an executive branch agency separate from OPM, effective October 1, 1989. To accommodate that status, and to permit an expanded ethics role, our Reauthorization Act increased what is authorized to be appropriated annually for the Office from the previous $2 million to $2.5 million in FY-89, and to $3.5 million in each of the succeeding five fiscal years.

The Office of Government Ethics functions primarily in six areas, pursuant to the Ethics in Government Act of 1978:

1) Regulatory authority for conflict of interest and post-employment statutes, standards of conduct, and financial disclosure programs (public and confidential) throughout the executive branch.

2) Public financial disclosure review and certification for all "advice and consent" presidential appointees, and the monitoring of ethics agreements which are executed incident to that review to prevent ethics violations.

3) Education and training to promote understanding among agency ethics officials and employees, as well as the general public.

4) Guidance and interpretation concerning the conflict of interest statutes, standards of conduct and financial disclosure, through advisory opinions, telephone advice, and consultation with agency ethics officials.

5) Enforcement by monitoring and auditing agency ethics programs, and ordering corrective action where appropriate.

6) Evaluation of the effectiveness of ethics laws and regulations, as well as agency implementation.

Since I became Director in the fall of 1987, I have carefully reviewed these basic functions of OGE and determined that a significant increase in staffing is critical if the Office is to continue fulfilling its mission. This is so because of a dramatic increase in the focus of public attention on government ethics, especially for high-level officials, as well as the urgent demands for OGE to play a more active role, particularly in the areas of enforcement, interpretive guidance and education.

While executive branch ethics is decentralized, with each agency's designated ethics official primarily responsible for implementation, the Office of Government Ethics must accomplish its vital role as the major executive branch ethics policy-maker, as the catalyst for a dynamic ethics program which is well-understood throughout the executive branch, and as a watchdog to insure uniform enforcement.

In addition to expanded personnel/administrative and legal/congressional liaison functions normally associated with day to day operations as a separate agency, accomplishment of these goals will necessitate a partial restructuring of OGE into these distinct functional units:

- a fact-finding/adjudicatory unit for better OGE enforcement by examining into specific instances of irregularities, recommending investigations, and ordering corrective action, as required under P.L. 100-598;

- a "desk officer" system to increase the frequency of agency audits and the effectiveness of compliance enforcement;

- a statistical review and analysis unit for improved monitoring and reporting on agency programs, as requested by congressional oversight committees, and required under P.L. 100-598; and

- an education branch to expand the quality and quantity of training and interpretive advice for all executive agencies and the public.

Among these expanding functions, I consider education and training to be of utmost importance. OGE is required by the Ethics in Government Act to "provide information on and promote understanding of ethics standards in executive agencies." That is the key to a vibrant government ethics program of prevention, and I intend to utilize the education branch to develop and execute a revitalized program nationwide, through a variety of media, including conferences, audiovisuals, printed materials, and dissemination of OGE advisory opinions. This effort is absolutely essential if executive branch personnel are to remain abreast of the rapidly developing body of ethics law. Additionally, the education branch will coordinate responding to the increased demands for information from Congress and the public at large, through written reports and participation in public forums. This program will respond to the President's specific request that OGE expand its educational role. It will also respond to urgings of our oversight committees.

The Fiscal Year 1990 budget request which I am submitting will accommodate these programmatic changes. Specifically, I am asking for $2,067,000 for salaries, to allow for an increase from 35 to 53 full-time equivalent employees; and $1,347,000 for all other expenses, including travel, rent, communications, utilities, printing, supplies and equipment.

From FY-89, this includes an increase of $674,000 to restructure and staff OGE into the functional units described above, and an increase of $717,000 for mandatory overhead expenses which, before OGE became independent, were funded within OPM and not identified as part of OGE's budget.

I urge your approval of the Office of Government Ethics' first budget as a separate agency. Thank you very much. I will be happy to answer any questions you may have.

OFFICE OF GOVERNMENT ETHICS

BUDGET HIGHLIGHTS

The Office of Government Ethics (OGE) submits its first Congressional Budget as a seperate executive agency. OGE's FY 1990 budget request includes $1.8 million that was previously funded for this Office in OPM's FY 1989 Salaries and Expenses appropriation. The major features of this appropriation request for $3.4 million for Salaries and Expenses are:

- $674 thousand to restructure the Office of Government Ethics into more distinct functional units for better service to a rapidly expanding volume of daily operations, and
- $717 thousand for mandatory overhead expenses (e.g., space, mail, FTS, etc.) that had not previously been distinctly identified for OGE, but were funded within OPM's Salaries and Expenses appropriation.

Obligations of $167 thousand are planned for one-time expenditure of funds to procure and integrate ADP equipment, and procure additional furniture, telephones, supplies, etc., for 18 new FTE's.

OGE requests a personnel ceiling of 53 full-time equivalent (FTE) employees to be financed entirely by the Salaries and Expenses appropriation.

OFFICE OF GOVERNMENT ETHICS
SALARIES AND EXPENSES

SUMMARY OF BUDGET ESTIMATE
(Dollar amounts in thousands)

ACCOUNT	FY 1988 ACTUAL	FY 1989 ESTIMATE	FY 1990 ESTIMATE
FEDERAL FUNDS			
General and Special funds:			
Budget Authority........	$1,580	$1,822	$3,414
Total Obligations.......	$1,576	$1,822	$3,414
Outlays.................	---	---	$3,243
Full-Time Equivalents...	25	35	53

OFFICE OF GOVERNMENT ETHICS
SALARIES AND EXPENSES

SUMMARY OF CHANGES
(dollar amounts in thousands)

FY 1989 Total Obligations..$1,822

Description of Program

The Ethics in Government Act of 1978, as amended by P. L. 100-598, established the Office of Government Ethics as a separate executive agency to provide overall direction of executive branch policies designed to prevent conflicts of interest and insure high ethical standards.

Programmatic Changes

- Increases to create a fact-finding/adjudicatory unit to better carry out OGE's regulatory and enforcement function ($121); establish a "desk officer" system to increase the frequency of agency reviews and effectiveness of compliance enforcement ($272); establish a statistical review and analysis unit to to compile governmentwide statistics for improved reporting of program data requested by Congressional oversight committees ($81); and initiate comprehensive revisions of OGE regulations in order to reflect statutory changes, provide more factual illustrations, and incorporate interpretations developed since the regulation were first issued in 1979 ($34)........................ 508

- Increase to oversee improvements in delivery of training courses nationwide and better coordinate the increasing demands for information by the Congress, press, public inquiries and FOIA by establishing a Public Affairs office.................................. 112

• Increase for establishing a program management function to handle the administrative duties of an independent agency..................	54
• Increase in travel funding to accomplish increased frequency of regional audits and nationwide training activity....................	24
• One-time increase in support costs associated with an increase in FTE's (ADP, furniture, phones, supplies, etc.)......................	167
Non-Programmatic Changes	
• Increase in overhead expenses (e.g. space, mail, FTS, etc.) that had previously been funded within OPM's Salary and Expense appropriation.	717
• Increase in the costs of required non-salary items resulting from inflation..	10
Total Changes	$1,592
FY 1990 Total Obligations..	$3,414

OFFICE OF GOVERNMENT ETHICS

OBJECT CLASSIFICATION DATA
(in thousands of dollars)

		1988 ACTUAL	1989 EST.	1990 EST.
	Direct obligations:			
	Personnel Compensation:			
11.1	Full-time permanent....................	1,091	1,492	2,054
11.3	Other than full-time permanent.........	14	---	---
11.5	Other personnel compensation...........	11	13	13
11.9	Total personnel compensation......	1,116	1,505	2,067
12.1	Civilian personnel benefits............	159	229	341
21.0	Travel and transportation of persons...	26	23	51
22.0	Transportation of things...............	2	2	4
23.1	Rental payments to GSA.................	---	---	597
23.3	Communications, utilities, and miscellaneous charges	18	18	78
24.0	Printing and reproduction..............	9	9	31
25.0	Other services.........................	34	17	118
26.0	Supplies and materials.................	28	14	15
31.0	Equipment..............................	184	5	112
99.0	Total obligations.................	1,576	1,822	3,414

OFFICE OF GOVERNMENT ETHICS

DETAIL OF PERMANENT POSITIONS

GRADE	1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE
Executive level V	1	---	---
Executive level III	---	1	1
ES-4	1	---	---
ES-5	1	1	1
ES-6	---	1	1
GM-15	4	8	9
GS/GM-14	2	3	6
GS/GM-13	7	6	12
GS-12	2	2	2
GS-11	2	4	10
GS-10	1	1	1
GS-9	1	1	1
GS-8	1	1	1
GS-7	---	2	2
GS-6	1	1	3
GS-5	2	2	2
GS-4	1	1	1
Total permanent positions	30	35	53
Unfilled positions, end of year	3	---	---
Total permanent employment, end of year	27	35	53

RENT

Senator **DeConcini**. Thank you, Judge.

I was just looking, with Ms. Lynch here, and noticing that OPM transferred nothing for the rent. They just assumed it would get paid for, I guess?

Judge **Nebeker**. That is correct.

Senator **DeConcini**. You have $595,000, or close to $600,000, for rent, which you didn't have this year, right?

Judge **Nebeker**. That is correct.

Senator **DeConcini**. What are you going to do with the 18 new people?

Judge **Nebeker**. They will be spread within the Office, with the professional staff, that is drastically short, so we will be hiring attorneys there, and we will be hiring analysts.

We are expanding our educational capability, and we will no doubt have two or three people devoted to educational planning and execution.

OFFICE OF GOVERNMENT ETHICS PERSONNEL

Senator **DeConcini**. Can you supply for the record a breakdown of what you have now in employees, and what these new 18 will be?

Judge **Nebeker**. Yes, sir; I would be happy to do that.

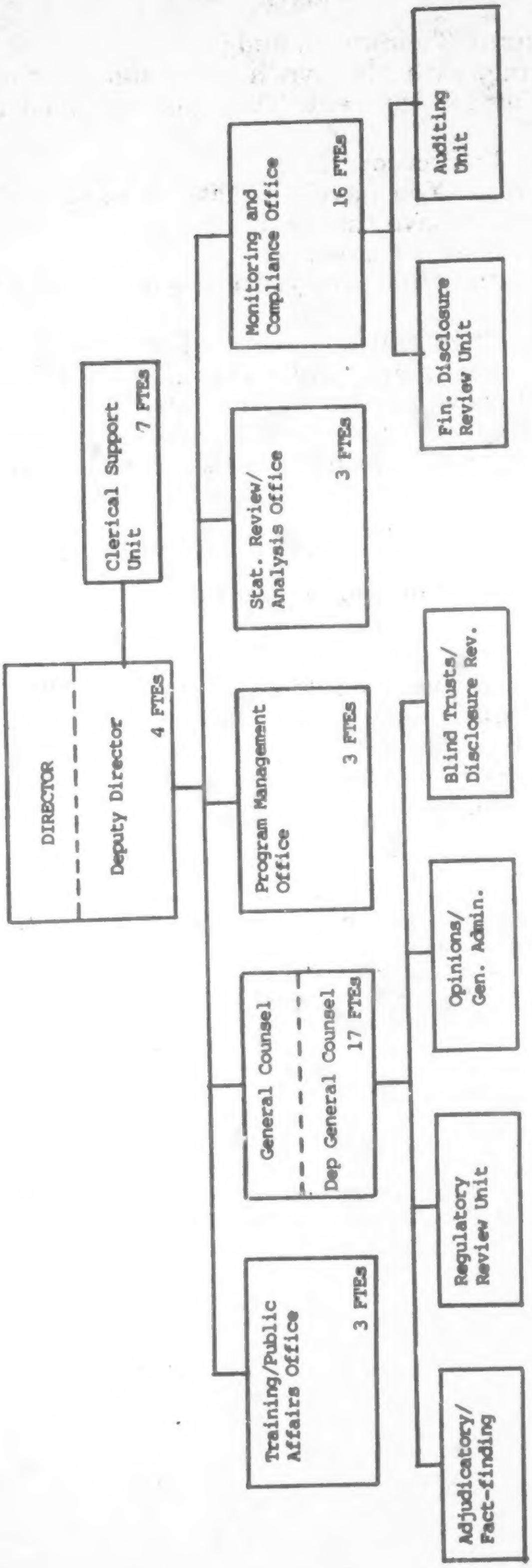
Senator **DeConcini**. Can you also tell us what their estimated salaries are going to be?

Judge **Nebeker**. Yes, sir; I would be happy to do that.

[The information follows:]

Personnel and Salaries

We presently have a staff of 31 employees which consists of the Director, Deputy Director, an Administrative Officer and two Schedule C special assistants. The remaining professional staff consists of a General Counsel plus seven attorneys, one employee assigned to the training and public affairs function, one employee working in the statistical review and analysis unit, and ten employees assigned to the monitoring and compliance staff. In addition, we have six support staff members, serving the various staff functions. We are currently recruiting to fill four attorney positions which will bring us up to our authorized fiscal year 1989 FTE level of 35. As to the latter part of your question concerning what the new 18 employees will be and what their salaries are going to be, the positions will be allocated thusly: 3 management analysts and 3 auditors, $272,000; 2 with statistical review/analysis unit, $81,000; 3 with fact-finding/adjudicatory unit, $121,000; 2 in education and public affairs, $112,000; 2 to support review and rewrite of regulations, $34,000; and 2 with the program management office and 1 to augment the clerical support unit, $54,000.


DIRECTOR
Deputy Director
4 FTEs
Clerical Support Unit
7 FTEs
Training/Public Affairs Office
3 FTEs
General Counsel
Dep General Counsel
17 FTEs
Program Management Office
3 FTEs
Stat. Review/ Analysis Office
3 FTEs
Monitoring and Compliance Office
16 FTEs
Adjudicatory/ Fact-finding
Regulatory Review Unit
Opinions/ Gen. Admin.
Blind Trusts/ Disclosure Rev.
Fin. Disclosure Review Unit
Auditing Unit

PERSONNEL STRENGTH

Senator DECONCINI. Are you at full complement now, at 35?

Judge NEBEKER. No; we are not. We are 29.

Senator DECONCINI. You are 29?

Judge NEBEKER. We are 29.

Senator DECONCINI. Did 35 come over from OPM? Is that what happened?

Judge NEBEKER. No.

Senator DECONCINI. What came with you when, after authorization, you left OPM?

Judge NEBEKER. Well, we are still with OPM.

Senator DECONCINI. Yes; that is right, you are still there.

Judge NEBEKER. Until October 1, so——

Senator DECONCINI. That is right, I was thinking—how many will come with you from OPM?

Judge NEBEKER. The entire staff.

Senator DECONCINI. All 29?

Judge NEBEKER. Yes; well, by then we will have probably hired a few more under our 35 current authorization. We had an unfortunate death of one of our staff members in the first part of the year.

Senator DECONCINI. Did you have an opportunity to appear before the President's Commission on Federal Ethics?

Judge NEBEKER. I did not appear before them myself. Ms. Ley attended most of their meetings, not in a formal appearance, but there to assist.

Senator DECONCINI. Did they ask you for any information or background?

Judge NEBEKER. Yes; and we supplied a rather voluminous document to them containing our recommendations, and then we dealt with them during the drafting stage of their report.

INCOME TAX INITIATIVES

Senator DECONCINI. We note that one specific recommendation of the President's Commission would grant tax relief to persons required to divest assets in order to avoid conflicts of interest.

Judge NEBEKER. Yes.

Senator DECONCINI. In your experience, have the tax consequences of divestiture posed a significant hardship for Federal officials?

Judge NEBEKER. Yes, sir.

Senator DECONCINI. Do you agree with this recommendation?

Judge NEBEKER. I do agree with this recommendation. For many of the top officials who are willing to serve the public, it costs them more than they could possibly get in their salary.

Senator DECONCINI. You mean tax losses because of divestiture?

Judge NEBEKER. The tax losses cost you more.

Senator DECONCINI. Is that hard to quantify? Can you supply us with one or two examples, if you would block out the person's name?

Judge NEBEKER. Yes; I am concerned about privacy.

Senator DECONCINI. Yes; and I understand that, but if you could just tell us, designee or nominee *x* had these kinds of assets, and this is what happened to them.

I would like to see an example. Actually, I would like to have it for the record.

[The information follows:]

LETTERS FROM J. JACKSON WALTER, DIRECTOR, OFFICE OF GOVERNMENT ETHICS, OFFICE OF PERSONNEL MANAGEMENT

JANUARY 8, 1981.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, as amended, I enclose a copy of the financial disclosure report filed by Alexander M. Haig, Jr. President-elect Reagan has announced his intent to nominate General Haig for the position of Secretary of the Department of State.

We have reviewed the report and have also obtained advice from the Department of State concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. We understand that General Haig has agreed to sell his stockholdings of Chase Manhattan Bank and United Technologies Corporation. He will also exercise and liquidate his holdings of stock options for purchase of stock of United Technologies Corporation in February 1981. He will resign from all Directorships listed in his financial disclosure statement. Of those Trusteeships and Memberships listed in the financial statement, he will resign from Loyola College, the International Management and Development Institution, the George C. Marshall Research Foundation, the Aerospace Industries Association, the Chamber of Commerce of the United States, and the Council on Foreign Relations. We understand further that participation in the Naval League of the United States, the Veterans of Foreign Wars of the United States and the Society of First Division is limited to membership.

Subject to severing such relationships, we believe that General Haig will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER,
Director.

JANUARY 13, 1981.

Hon. BOB PACKWOOD,
Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, as amended, I enclose a copy of the financial disclosure report filed by Malcolm Baldrige. President-elect Reagan has announced his intent to nominate Mr. Baldrige for the position of Secretary of the Department of Commerce.

We have reviewed the report and have also obtained advice from the Department of Commerce concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. We understand that Mr. Baldrige has agreed to sell his stockholdings of Scovill, Inc., AMF Incorporated, Bendix Corporation, Colonial Bank, The Eastern Company and Uniroyal, Inc. Similarly, Mrs. Baldrige has agreed to sell her stockholdings of the Eastern Company, the Chessie System, United Bank Corporation of New York, Scovill, Inc. and Woodbury Telephone Company. Mr. Baldrige will resign as director or trustee of those business organizations listed in his financial statement in which he currently holds such positions. He will also resign his membership in any organization which conflicts with or has the appearance of conflicting with the position for which he has been nominated. We understand that Mr. Baldrige will recuse himself from knowingly participating in any particular matter which involves Scovill, Inc. or Connecticut Mutual Life Insurance Company.

Subject to the aforementioned divestitures and disqualifications, we believe that Mr. Baldrige will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER,
Director.

Judge **NEBEKER**. Well, one, that is a public record, of course, is the Secretary of State.

Senator DeConcini. And what did that cost him out of camera? Do you know?

Judge Nebeker. I can't recall. I think it is millions of dollars, quite frankly.

Senator DeConcini. Can you supply that for us?

Judge Nebeker. I will supply that.

Senator DeConcini. What I am really interested in is not what the speculative loss is, but what is the real loss out of the person's need to sell today, and, if you know, what that does to his tax arrangement.

Judge Nebeker. Well, we don't know specifically what the base for his investment is.

Senator DeConcini. Yes.

Judge Nebeker. But if you assume the base is $1, and he is forced by virtue of his position to sell, there is a capital gain of $1.

Senator DeConcini. Yes.

Judge Nebeker. There is no cut rate for capital gain anymore, so he is paying an ordinary income tax on that gain, depending upon what other income he has.

The purpose of this proposal is simply to delay the tax, not to excuse it, where it is a forced sale in order to comply——

Senator DeConcini. You mean if it is a forced sale and if the sale occurred in 1989, instead of the tax being due and payable, say, in April 1990, it would be put off until he is out of office?

Judge Nebeker. No; if I understand it—perhaps Jane Ley could tell you.

Senator DeConcini. Yes, ma'am.

Ms. Ley. The basis of the new investment into which the money goes is adjusted to reflect—so it is a tax deferral situation.

Senator DeConcini. He gets the full value of the asset that is sold then in 1989 because of the appointment, which would be able to be reinvested with no tax being paid on it——

Judge Nebeker. At that time.

Ms. Ley. But the basis of the asset that he purchases with the proceeds of that sale——

Senator DeConcini. I see.

Ms. Ley [continuing]. Will be adjusted to reflect.

Senator DeConcini. So when he sells that asset in the year 2000, he would then pay the tax.

Ms. Ley. Right.

Senator DeConcini. I see.

Judge Nebeker. Based on his original base.

Senator DeConcini. Yes; based on his original base, similar to a real estate trade that is permitted to change the like values that you carry forward until you make the sale.

Ms. Ley. That is right.

Senator DeConcini. I see. Well, that is reasonable. I didn't know that that is what the tax——

Judge Nebeker. It is working quite a hardship, I must say.

Senator DeConcini. I can suspect it has, because now, as you are saying, they have got to pay the tax the next tax period.

Judge Nebeker. That is right.

Senator **DeConcini**. Do you know if there has been any litigation filed that would test that, whether or not that is some kind of forced taking, where you have to divest yourself?

Judge **Nebeker**. Well, you don't have to take the job.

Senator **DeConcini**. Yes.

Judge **Nebeker**. No; I don't think there has been any litigation with respect to it. I do know that it has been proposed in the past, and it ran into some opposition by the tax collector, and so it died. I think there is sufficient inertia behind it this time that it will probably be part of the President's, or the administration's, ethics legislation package.

OVERSIGHT CONSIDERATIONS

Senator **DeConcini**. Well, Judge, we appreciate your justification of the increase. It is not going to be easy for this subcommittee. Although it is not a whole lot of money, it is a substantial increase. However, that is one of the consequences of establishing a new agency.

You lay some of this, and I don't dispute this, on the Subcommittee on Oversight of Government Management. I will talk to Senator Levin, and explain to him the problem this subcommittee has with funding for what they want you to do.

Judge **Nebeker**. I mentioned to him that I suspected that he would have that brought to his attention.

Senator **DeConcini**. I will talk to him about it.

Thank you very much.

Would any of the other witnesses care to speak?

[Negative head shakes.]

Thank you, Judge, very much.

And I thank the rest of you.

Judge **Nebeker**. Thank you, Mr. Chairman.

Senator **DeConcini**. Oh, excuse me.

Judge **Nebeker**. Yes.

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. I have some questions from Senator Domenici.

Judge **Nebeker**. Oh, all right.

Senator **DeConcini**. We will submit the balance of our questions to you.

Judge **Nebeker**. Thank you, Mr. Chairman.

Senator **DeConcini**. Thank you. You did well on your maiden voyage here. [Laughter.]

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

FY 90 FUNDING

Question. In FY 90, you are requesting an additional $509,000 to restructure a number of programs into distinct units including a fact-finding/adjudication unit, a desk officer system, a statistical review and analysis unit, and an education branch. Can you explain to the Committee why these separate units are necessary, and what activities will be expanded as a result of your independent agency status?

Answer. These distinct units have become necessary in order to carry out OGE's expanded active involvement in the ethics program for the entire executive branch. With our reauthorization last fall came greater enforcement authority to order corrective action for executive agencies and individual employees, and to recommend investigation and disciplinary action where appropriate. The law requires a hearing before certain of these actions may be taken. In order to fully protect the individual rights of those employees concerned and to provide a speedy resolution, I will need a staff unit specifically trained to gather facts and assist me in making these determinations. A fact-finding/adjudication unit can best perform this function. Such a distinct unit can also accomplish more efficiently the myriad of other adjudications which I am required to make. For example, my staff must assist in making thousands of determinations each year pursuant to the post-employment statute, 18 U.S.C. 207, as to who will be designated senior employees, who will be exempted by reason of special scientific or technical qualifications, and whether to subdivide agencies into separate functional or jurisdictional units. If the President's proposed ethics bill becomes law, OGE will also be required to decide or assist in determining when waivers are appropriate under the conflict of interest statute, 18 U.S.C. 208, for all three branches of government. The President's new executive order, which is about to be released, adds a requirement for executive branch agencies to consult with OGE prior to granting such waivers, separate from the proposed bill. These are examples of why a designated fact-finding unit is necessary, as I fulfill my roles of factual inquiry and analysis promptly and with due process protections.

Similarly, the desk officer system, statistical review and analysis unit, and education branch will be necessary as we become independent, if I am to expand services in the areas of monitoring and education, as required by the President's new executive order, our reauthorization (P.L. 100-598), and the President's proposed ethics bill. The specific functions of these units were discussed earlier in response to Senator Domenici's questions. Units dedicated to these functions can acquire expertise and assist me in more efficiently accomplishing my responsibilities.

Question. I notice that your budget justification calls for an additional $357,000 for training courses and the establishment of a public affairs office; the establishment of an administrative program management unit; travel and support costs. How were these figures arrived at?

Answer. The program costs are primarily salaries for employees who will perform these functions. We have already expanded to two full-time staff members for education and public affairs. They are extremely busy with preparation of training materials, conducting outreach programs and seminars, and coordinating the burgeoning demands for information by Congress and the public. The administrative program management unit's staff salaries are necessary for administration as an independent agency. Travel and support costs which the budget reflects were arrived at by estimating costs for actual travel and per diem, and for furniture, equipment and supplies needed to sustain the additional 18 FTE's which this budget contemplates.

Question. I see you intend to increase travel costs by $28,000, or 120% above the FY 89 assumed level of $23,000. How do you justify this very significant increase in travel costs?

Answer. As I discussed earlier, the President's new executive order will require us to expand the frequency of our training and outreach programs nationwide. Additionally, our audit cycle for agency ethics program reviews has fallen short over the past several years because of understaffing. With the additional employees which we have requested to perform audits, we envision increasing the frequency of regional audits, in keeping with our goal of reaching some part of each agency's field offices at least once every three years.

Question. All of your non-pay object classes are increasing substantially in FY 90. While I recognize the benefits of an independent agency, I do have concerns about the costs of independence. Can you please explain why your object classification of "other services" is expected to increase from $17,000 in FY 89 to $118,000 in FY 90?

Answer. Approximately half of this increase was budgeted as a one-time cost associated with renovating office space for the 18 new employees which this budget would fund. The remaining $50,000 of "other services" is for a cross-servicing agreement, whereby OGE will contract for administrative services associated with personnel administration and payroll of an independent agency. The actual cost was based on a GSA estimate for our staff size.

Question. Your equipment costs are proposed to increase from $5,000 in FY 89 to $112,000 in FY 90. Why is this increase necessary and can you provide us with specific details on the equipment items you expect to fund in FY 90 versus FY 89?

Answer. This increase is necessary as an initial start-up cost to support the 18 additional employees which our budget requests. The specific equipment items which we will fund are data processing units and basic office furniture.

Question. Can you tell us how you plan to allocate the additional 18 positions you propose for FY 90 by job description? What is the estimated cost for each and why are these staff increases necessary?

Answer. The position and cost breakdown will be as I outlined in response to your earlier question. These staff increases are essential if OGE is to perform the expanded functions expected of it under our reauthorization and as contemplated by the President's new executive order and proposed ethics bill. In addition to the specific functions discussed in response to earlier questions of the Committee, our regulatory responsibility will increase significantly, as we comprehensively revise regulations on standards of conduct and financial disclosure which has been mandated by the President's executive order, and as we expand into new areas, such as regulatory implementation of Sections 208 and 209 of Title 18, U.S. Code.

Additionally, as I indicated in my prepared remarks, there has been a dramatic increase in the focus of public attention on government ethics, particularly for high-level officials. A significant increase in staffing is critical, therefore, if I am to continue fulfilling OGE's basic mission during this time of heightened public scrutiny.

ROLE OF THE ETHICS OFFICE VS. THE ETHICS COMMISSION

Question. There seem to be a number of federal entities who are studying federal employees' ethics standards. For example, President Bush created an Ethics Commission headed by Malcolm Wilkey. What is the difference between the role of the Office of Government Ethics and the Commission established by President Bush?

Answer. The Commission was set up to comprehensively review the statutes and ethical standards of conduct government-wide, and to propose recommendations whereby President Bush could initiate any needed changes quickly to correct and improve government ethics. While OGE does have a continuing statutory role in monitoring the effectiveness of and proposing changes to government ethics laws and regulations for the executive branch, that is only a small part of our overall function of coordinating and administering the existing ethics system. The Commission, composed largely of personnel from outside government, was tasked with recommending on an accelerated basis directly to the President some comprehensive improvements to that system, including proposals affecting the other two branches of government.

ETHICS COMMISSION'S RECOMMENDATIONS

Question. In their report to the President, the Commission on Federal Ethics Law Reform offered 27 recommendations for ethics changes. Would you care to comment on some of the major findings and tell us if you plan to implement these recommendations?

Answer. Yes, I would be happy to comment on that. OGE had substantial input to the Commission's deliberations and findings. My 49-page letter to them of February 10, 1989, is a matter of record and I believe it was influential in shaping their work. The Commission's recommendations generally concern conflict of interest for current government employees, post-employment restrictions, public financial disclosure, and executive branch ethics regulations. Their recommendations require Presidential and/or Congressional action before OGE can implement them. However, most of them are being incorporated into the President's new executive order and the ethics bill which he is submitting to the Congress.

Specifically, his proposed ethics bill would extend coverage of 18 U.S.C. 208, the basic conflict of interest statute, to include all three branches (with some exceptions for Congressmen), such that a government employee cannot act officially in matters where he has a direct or derivative financial interest. The bill would bring some uniformity to waivers under the statute for financial interests deemed not substantial or consequential enough to affect integrity, by giving OGE a greater role. It would permit a new waiver for the national interest when the President determines it necessary; this is an important addition for emergency situations. For those instances where divestiture is deemed necessary in order to avoid a conflict under the statute, the bill would provide some tax relief by allowing for postponement of tax liability. These proposals were all encompassed by the Commission's report.

For current employees, the President's bill would also implement the Commission's recommendations by limiting outside earned income to 15% of Level I of the Executive Schedule for senior employees in all three branches of government and by barring them from service on boards of "for-profit" commercial enterprises. Additionally, it would bring uniformity to limits on employee acceptance of gifts from those who have business with or may be affected by actions of an individual or his employing agency.

In the area of post-employment, the President's bill would implement the Commission's recommendation to extend coverage of 18 U.S.C. 207 beyond the executive branch, to add a new ban on use of nonpublic information, and to eliminate compartmentalization of the Executive Office of the President.

The President's bill would also follow the Commission's suggestions that public financial disclosure be more uniform for all three branches, that ad hoc statutes which overlap with 18 U.S.C. 207 and 208 be repealed, and that a broader range of penalties be permitted under the conflict statutes.

The President's executive order will further implement the Commission's report by clarifying the standards of conduct with a new set of uniform regulations to be issued by OGE, plus a requirement for an OGE ethics manual as employee guidance, and for OGE coordination of executive branch training plans. We will begin immediately to implement the executive order by drafting regulations and developing an ethics manual. Additionally we will implement the President's bill with regulations if the Congress enacts it.

Question. One specific recommendation of the President's Commission directs the Office of Government Ethics, in collaboration with the Justice Department, to issue regulations relating to financial conflicts of interest under 18 U.S.C. 208. It also recommends that legislation be enacted to grant the Office of Government Ethics the authority to issue government-wide rules providing for conflict of interest waivers in cases where a financial interest is too remote or too inconsequential to affect the integrity of the employee. What is your position regarding the need for government-wide rules on financial conflicts of interest and conflicts of interest waivers?

Answer. The President's new executive order has specifically adopted the Commission's recommendation, by requiring that OGE promulgate government-wide rules to implement 18 U.S.C. 208, and I believe this will be an opportunity for us to provide much-needed guidance to agencies in their implementation and enforcement of this basic conflict statute. For example, we can codify judicial interpretations and the opinions which OGE and the Department of Justice have issued over the years, defining terms such as "particular matter," "financial interest," "personal and substantial" participation, and "negotiating" for employment.

As regards waivers under the statute, OGE 's position is that they should be used more extensively, where appropriate, without any stigma. The statute provides for individual, case-by-case waivers where a financial interest is "not so substantial as to be deemed likely" to affect integrity of the official, as determined by his or her agency. Additionally, it provides for agency-wide waivers in the case of certain broad interests which are remote or inconsequential. I believe that some of these broad categories are susceptible to application government-wide. Rather than requiring each agency to publish these broad waivers, I have recommended that OGE be given the authority to promulgate regulatory exceptions for all or large groups of employees. The President's Commission concurred in my recommendation, and the President's proposed ethics bill embodies that concept.

Question. Another Presidential Commission recommendation calls for an amendment to existing law to provide a 2-year limitation on disclosure of certain non-public government information. The "information" subject to the restriction would have to be clearly defined. What is your position on this recommendation and can you tell us if it will be implemented by the Office of Government Ethics?

Answer. This recommendation was supported by me. As I advised the Commission, the current prohibition on representation for certain matters where the former employee was personally involved or for which he was responsible is designed to prohibit use of confidential government information. However, since that prohibition only applies to use of information in a representational capacity, it is not entirely effective in stemming the flow of non-public information. The Commission agreed by suggesting a two-year ban on use of information even behind the scenes. Essentially, the President's bill appears to adopt that position, as well. If the Congress enacts that prohibition, OGE will promulgate regulations implementing it. The proposed bill defines non-public information as including proprietary and source selection matters in connection with procurement, trade secrets and income sources concerning any person or entity, U.S. negotiating positions, and other information to be specifically identified by agencies and promulgated by OGE regulation.

Question. The Commission also recommended prohibiting the existing compartmentalization of the Executive Office of the President for purposes of the one-year post-employment cooling off period. Currently, the Executive Office of the President is broken down into nine separate entities so that a former employee of the Office of Management and Budget, while restricted for one year from doing business with the Office of Management and Budget, could conduct business with the National Security Council and still not violate ethics law. I understand the Office of Government Ethics currently has the authority to compartmentalize federal entities for this purpose. What is your position on the treatment of the Executive Office of the President as one office instead of nine? Why isn't this recommendation presently being implemented if you have existing authority?

Answer. I see no problem with the general statutory authority for OGE to designate separate agencies, based on distinct statutory functional differences. In the past, the White House had advised us, pursuant to the post-employment statute and implementing regulations, that the nine offices within the Executive Office of the President did perform separate statutory functions, and that these offices were appropriate for compartmentalization. The President's Commission recommended otherwise, and the President has, in his new executive order, specifically determined that these offices no longer exercise functions that are distinct and separate from each other within the meaning of 18 U.S.C. 207(e). Therefore, that compartmentalization is ending, based on this President's reevaluation of the previous White House's decision.

THE ROLE OF THE ETHICS OFFICE VS. THAT OF THE ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

Question. Are you familiar with the considerable interest of the Administrative Conference of the U.S. in the area of ethics law? We had the Administrative Conference before our Subcommittee earlier this year and they expressed concerns regarding the applicability of conflict of interest statutes to federal advisory committees. Are you familiar with the Conference's recommendations on this topic, and if so, what is your reaction?

Answer. Yes, I am familiar with the ACUS interest in ethics law, including some of their thinking on its applicability to advisory committees. I understand that one approach which they have been considering is to recommend a separate, limited body of ethics rules for advisory committees, which would apply based on committee function rather than on an individual member's status as an employee or nonemployee. I prefer the current statutory and regulatory scheme, whereby the critical question in determining whether to apply government ethical restrictions is whether the advisory committee member has the attributes of a government employee. For nonemployees, who generally serve as representatives of industry viewpoint, there is little need or legal basis for applying ethical restrictions. For those who exhibit the characteristics of employees, the current system applies less stringent restrictions, under both the statutes and regulations, since these part-time employees generally serve for less than 130 days in a 365 day period, and are, by statutory definition, special Government employees. While I must acknowledge that there has been some variance among agencies in determining who is an employee, I think this can be clarified.

Question. Have you furnished any guidance to the executive agencies regarding the applicability of ethics laws to federal advisory committees?

Answer. Yes. My predecessor issued comprehensive written guidance to agency ethics officials in 1982, in OGE informal opinion 82 x 22. That opinion offers criteria to consider in determining who is an employee and who serves as a nonemployee in a representative or independent contractor status. We continue to assist agency ethics officials with their decisions in these matters. Additionally, my staff has been assisting GSA with ethics training for advisory committee staffs throughout the executive branch.

Question. Have you proposed any legislative reform with respect to advisory committees? If so, can you tell us about your proposals?

Answer. I have not directly proposed any legislative reform in this area. However, the President's Commission did recommend special waivers under 18 U.S.C. 208 for advisory committee members when a review of their financial disclosures leads to the conclusion that the need for their expertise outweighs the potential for conflict. The President's proposed ethics bill essentially adopts that recommendation. I concur in it. Beyond that, I think that the application of conflict of interest statutes and regulations can be clarified without additional legislation, but through the regulatory process for which GSA is responsible. My staff has been assisting a GSA committee in that endeavor.

Question. Are you familiar with the Administrative Conference's concern regarding the applicability of ethics laws to transition team members?

Answer. Yes. As a matter of fact, we did see their proposal for an executive order to govern the transition team. We had several concerns of substance and implementation with that proposal. My staff put together a transition code of ethics, including a provision for some internal financial disclosure. We worked directly with the transition team's counsel, and I am happy to report that they adopted procedures substantially similar to what we had proposed.

Question. Did you seek the assistance of the Administrative Conference in order to analyze these issue? Do you rely upon the Administrative Conference to augment your expertise or resources?

Answer. The answer to both these questions is no. We have become aware of ACUS involvement in these matters from time to time. It is not clear to me whence their authority derives in the ethics area. OGE's is spelled out in the Ethics in Government Act, and further delineated in the President's new executive order as regards responsibility for standards of conduct regulations and ethics training.

Question. Have you ever sought the assistance of the Administrative Conference in order to perform your function? Under what circumstance would you seek their assistance?

Answer. We have not sought their assistance, and I can not envision our doing so. Since my Office is directly charged with these responsibilities by statute and executive order, I consider it appropriate for my staff to work directly on ethics matters.

Question. Has the Administrative Conference ever solicited funding from you? Under what circumstances? Did you ever provide funds to the Conference for research on ethics law?

Answer. Yes, they did ask for funding assistance from us for an ethics research project. We did not provide any funds to them, however.

GENERAL ACCOUNTING OFFICE REPORT

Question. In an October 1988 report, the General Accounting Office concluded that you issued draft regulations two years ago that govern confidential financial reporting and that the regulations should be finalized. Have you had an opportunity to finalize these regulations since the GAO report was issued? If not, why not?

Answer. Yes, we did finalize those regulations last year, after receiving and analyzing considerable comment from the various agencies in response to our published preliminary regulations. The governing executive order requires that we consult with the Department of Justice prior to issuing those regulations. Accordingly, we submitted them to Justice, where they have been pending since late last year. I understand that they are currently before the Attorney General for action.

Question. Also in the October 1988 report, the General Accounting Office concluded that your agency needs to ensure that its informal opinions are made available in usable form to agency ethics officials. What have you done to comply with this recommendation?

Answer. My staff has been diligently working on this for well over a year. We have completed the transferral of the nearly 250 informal opinions to a suitable format for printing. Additionally, we have had to review them and make various technical corrections. That has all been completed, and they will be submitted to GPO shortly for printing and binding. I anticipate that they will be available for distribution within two months.

Question. Another GAO recommendation from the 1988 report concluded that a comprehensive evaluation of the ethics statutes has not been done in more that 25 years and is required by the Ethics Act of 1978. Why has this work not been done and what are you doing to satisfy this requirement? Did the Presidential Ethics Commission review the ethics statutes as a part of the ethics review? Does the Justice Department have a responsibility in this review of ethics laws, and if so, can you tell us about their responsibility?

Answer. The Ethics in Government Act does not directly task us with the sort of comprehensive review which you describe. However, it does require, in section 402(b)(11) that OGE assist the Attorney General in evaluating the effectiveness of the conflict of interest laws and in recommending appropriate amendments. This has been an on-going project. For example, we have worked closely with Justice and Congressional committees on proposed ethics legislation, particularly in the area of post-employment. We also had considerable input to the President's Ethics Commission, which very definitely reviewed the ethics statutes. Based on their recommendations, the President is now proposing in his ethics bill a comprehensive revision to the ethics statutes, as contemplated by GAO.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

OGE PERSONNEL UTILIZATION

Question. The Fiscal Year 1990 request for the Office of Government Ethics proposes to increase the Office's staffing level from 35 to 53 permanent positions. Would you please give us a breakdown of how these 53 positions will be utilized; for example, how many will be assigned to the fact-finding/adjudication unit, how many to the "desk officer" system, etc.

Answer. I have with me a proposed organization chart for the Office, which reflects how the 53 positions would be assigned. I offer it to you, for attachment to your Committee report as Exhibit C. As it indicates, the staff would consist of the Director and Deputy, plus two Schedule C special assistants. The remaining professional staff would be organized with 3 assigned to training and public affairs, 3 with the program management office, 3 in statistical review and analysis, 17 attorneys with the general counsel staff, and 16 in monitoring and compliance. Additionally, we would have 7 support staff members, serving the various professional staff units. Included in the general counsel's staff will be the three-member fact-finding/adjudicatory unit. A total of 6 personnel in monitoring and compliance would perform the desk officer functions, in addition to their other responsibilities. In training and public affairs, only two positions would initially be allotted. A third would be added after the responsibilities in this area are further delineated by regulations implementing the President's new executive order on ethics, and after any legislation is enacted based on the President's ethics bill.

OGE FUNCTIONAL CHANGES

Question. An additional $272,000 is requested to establish a "desk officer" system to increase the frequency of agency reviews and effectiveness of compliance enforcement. How often are agency reviews currently being conducted and what increase in the frequency of these reviews would be achieved with the additional resources requested?

Answer. Prior OGE planning has called for agency reviews to be conducted in each agency at least once every three years. However, staffing has never reached the point where this could be done. Currently we have only two auditors to review all executive branch agency ethics programs. With the current staffing level, agency programs would only be reviewed about once every eight years. The increase of $272,000 would allow us to increase the number of agency auditors available to review agency ethics programs to the level of at least once every three years.

Increased staffing will enable us to establish a desk officer system. Each desk officer would be assigned about fifteen departments and agencies. In addition to reviewing the financial disclosure statements, the desk officers would be consultants to the agency on all ethics matters. They would have a working knowledge of each agency's ethics program, including current issues, cases, and other problem areas. They would assist the agency in developing all aspects of its program, including its financial disclosure systems and standards of conduct regulations.

We believe the desk officer system, coupled with independent audits by our audit staff at least once every three years, would greatly improve agency ethics programs and would allow us to handle problems before they erode the program.

Question. The fiscal year 1990 request includes an additional $81,000 to establish a statistical review and analyses unit. What type of statistics would be compiled by this unit?

Answer. The statistical review and analysis unit will be responsible for compiling and evaluating data on agency ethics program performance, such as the number of individuals filing public and confidential financial disclosure reports; number of filers who were late or required divestitures, waivers, recusals, or resignations; numbers and types of corrective action, including investigations, orders, administrative or disciplinary action, and criminal referrals; frequency of ethics training, broken down by functional units or pay levels; numbers and types of ethics counseling and advisory opinions; numbers of employees with approved outside employment activities; frequency of travel reimbursements accepted by the agency or individual, and dollar amounts; number of designated senior employees; numbers of written approvals for exceptions from the prohibition on gifts from outside sources; etc.

The 1988 Act to Reauthorize the Office of Government Ethics (P.L. 100-598) implicitly requires statistics to be compiled on agency ethics programs. Specifically, it requires the Director to submit a report to Congress every two years, summarizing the actions taken by the Director during the previous two calendar years. This summary will include data collected by the OGE staff on an ongoing basis, and it will utilize information from the annual reports the agencies are required to submit to the Director. The annual reports are required by the Reauthorization Act to contain:

> "...
>
> (A) a description and evaluation of the agency's ethics program, including any educational, counseling, or other services provided to officers and employees, in effect during the period covered by the report; and
>
> (B) the position title and duties of -
>
> (i) each official who was designated by the agency head to have primary responsibility for the administration, coordination, and management of the agency's ethics program during any portion of the period covered by the report; and
>
> (ii) each officer or employee who was designated to serve as an alternate to the official having primary responsibility during any portion of such period; and
>
> (C) any other information that the Director may require in order to carry out the responsibilities of the Director under this title;...."

Furthermore, each agency is required to inform the Director of the referral of any alleged violation of a Federal conflict-of-interest law to the Attorney General pursuant to 28 U.S.C. §536.

These statutory elements comprise a substantial undertaking in coordinating agency reports for developing effective comparative indicators, compiling data, and synthesizing the results on an annual basis.

Question. Of the $112,000 funding increase requested to oversee improvements in the delivery of training courses and to coordinate increasing demands for information by the Congress, what amount of this increase is associated with training course oversight?

Answer. In the President's new executive order on ethics, departments and agencies of the executive branch are to coordinate with the Office of Government Ethics in developing annual ethics training plans. Such plans are to include mandatory annual briefings for Presidential appointees, all employees in the Executive Office of the President, all officials required to file public financial disclosure reports, all employees who are contracting officers and procurement officials, and any other employees who may be designated.

In order to enhance the effectiveness of this coordination, regulations establishing certain policies and standards in regard to the training plans will have to be promulgated. The policies and standards will have to be both quantitative (e.g., number and types of employees covered, frequency of the training) and qualitative (e.g., nature of the training, effectiveness of ethics officials/materials in communicating the information, etc.). Finally, there will have to be some type of certification of the plans and oversight of their implementation.

This process of coordination-certification-oversight of ethics training programs is vastly more formalized than anything OGE has previously been required to do in the area of training, and the process will have to be undertaken annually for each of the departments and agencies in the executive branch. Accordingly, we would estimate that the entire $112,000 funding increase would be devoted to this process and, of that amount, well over half would probably be devoted to the actual oversight of training courses. The $112,000 funding increase must, somehow, also allow us to better coordinate the increasing demands for information by Congress and others, as well as conducting a revitalized ethics education and training program nationwide.

I must reiterate that ethics education and training is absolutely essential if executive branch officials and employees are to remain abreast of the rapidly developing body of ethics law. Without an education program the efforts for enforcement and monitoring will have to be increased markedly. Ethics education programs are an essential key to a vibrant government ethics program of prevention. Our Congressional oversight committees have also recognized this and have urged an expansion of our training effort.

CURRENT PROGRAMS

Question. You indicate in your testimony that executive branch ethics is decentralized, with each agency's ethics official primarily responsible for implementation of its regulations. What does your office do to ensure basic uniformity throughout the executive branch of ethics standards, the implementation of those standards, and the enforcement of those standards? How does uniformity among the various agencies need to be improved?

Answer. The Office of Government Ethics is responsible for the model standards of conduct, which constitute the minimum which each agency's implementing regulations must contain. Before an agency publishes its standards of conduct regulations in the Federal Register, it must receive approval from OGE. Our staff attorneys and management analysts work closely with agency ethics officials to insure that their proposed regulations conform. As part of their periodic agency reviews, our auditors examine how the regulations have been implemented and enforced, again to insure uniformity amongst agencies. Of course, some agency-specific requirements will dictate deviation from the norm; however, these will be the exception. Agency audits also detect potential criminal violations of ethics statutes, and OGE does, in furtherance of uniform enforcement, refer matters to the Department of Justice which an agency may have chosen to handle administratively.

As far as improving uniformity among the various agencies, I think some significant steps are being taken. For example, the President's new executive order will require that we promulgate new regulations to establish a single, comprehensive, and clear set of executive branch standards of conduct. It also requires us to insure that any implementing agency regulations issued are consistent with that model. As far as standard application by agencies, our reauthorization last fall clarified that OGE can order agency and individual corrective action, which will allow us to prevent lackadaisical enforcement. Additionally, as OGE expands its education for agency ethics officials and as our written interpretive opinions become available through GPO, we can anticipate improved standardization.

Question. You indicate that your highest priority is on education and training. What type of ethics training and interpretive advice is currently provided to executive agencies?

Answer. Ethics training has consisted primarily of an ongoing generic ethics course consisting of an overview of the laws and regulations, cases and problems applying the laws and regulations, and financial disclosure. This course is designed for ethics practitioners with basic subject matter familiarity, and those who review financial disclosure reports or investigate possible violations, and has been offered across the executive branch, both in Washington, D.C. and in the field. On an ad hoc basis, there has been a course on the conflict-of-interest laws offered (in conjunction with the Department of Justice) and financial disclosure courses offered on a government-wide or agency basis in Washington, D.C.

OGE operates a formal advisory opinion service, as well as an informal advisory letter and memorandum system and gives telephonic guidance on issues involved in both the criminal and regulatory areas of conflicts of interest and standards of conduct. In addition, we have published the quarterly Ethics Newsgram, a pamphlet entitled How To Keep Out Of Trouble, a 15-minute videotape entitled How To Complete The SF 278, and a 19-minute videotape entitled Public Service, Public Trust.

OGE RELATIONSHIP TO ACUS

Question. This subcommittee also has funding jurisdiction over the Administrative Conference of the United States. When the Conference testified before us just over a month ago, it indicated that it had been doing some work in the ethics in government area. Specifically, in fiscal year 1988, the Conference adopted recommendations to establish standards of conduct for presidential transition workers which it indicated were essentially implemented by directives issued by President-Elect Bush and President Reagan; it also published a sourcebook on government ethics. During the balance of fiscal year 1989 and into fiscal year 1990, the Conference's agenda includes the following research efforts related to government in ethics issues (and I am basically paraphrasing the Conference's own description of these projects):

(A) Revision of federal financial disclosure requirements to address the need for changes in the Ethics in Government Act's provisions concerning financial disclosure requirements;

(B) Application of conflict-of-interest laws to federal advisory committee members (a study which will attempt to bring clarity and certainty to this issue);

(C) Agency standards of conduct for employees; a study of the potential for uniformity among these various agencies' regulations (which the Conference indicates is being done at the behest of the GSA);

(D) The accessibility and retrievability of official opinions pertaining to government ethics; which will focus on the accessibility and retrievability of opinions made by agency general counsels and ethics officers which are supposed to be forwarded to the Office of Government Ethics to be reviewed, cataloged, and indexed.

Quite frankly, I am not certain that these ethics in government issues are proper study areas for the Administrative Conference of the United States.

Is your Office aware of the work the Conference has undertaken and is planning in the ethics in government area?

Has your Office been involved in any of the Conference's efforts?

Do you regard the work of the Conference in this area which I have just described to in any way be unnecessary or duplicative of your Office's efforts?

Answer. The Office of Government Ethics is aware of the work of the Administrative Conference of the United States (ACUS) in the ethics in government area. In the past, project reports developed by the Administrative Conference have been made available to OGE. While OGE has been invited to review materials and attend ACUS meetings, in the last 16 months the notice of such meetings has been quite short and attendance has not always been possible. Consequently, OGE has not been privy to every ethics-related initiative undertaken by the Conference. Therefore, it is difficult to judge the substantive worth of these duplicative efforts within the area of responsibility administered by OGE. I should also point out that, in addition to the role of OGE spelled out in section 402 of the Ethics in Government Act, the President's new executive order gives OGE the responsibility for administering the order by:

(a) Promulgating, in consultation with the Attorney General and the Office of Personnel Management, regulations that establish a single, comprehensive, and clear set of executive-branch standards of conduct that shall be objective, reasonable, and enforceable.

> (b) Developing, disseminating, and periodically updating an ethics reference manual for employees of the executive branch describing the applicable statutes, rules, decisions, and policies.
>
> (c) Promulgating, with the concurrence of the Attorney General, regulations interpreting the provisions of the general conflict-of-interest statute, section 208 of title 18, United States Code, and the prohibiting supplementation of salaries, section 209 of title 18, United States Code.
>
> (d) Promulgating, in consultation with the Attorney General and the Office of Personnel Management, regulations establishing a system of nonpublic (confidential) financial disclosure by executive branch employees to complement the system of public disclosure under the Ethics in Government Act of 1978. Such regulations shall include criteria to guide agencies in determining which employees shall submit these reports.
>
> (e) Ensuring that any implementing regulations issued by agencies under this order are consistent with and promulgated in accordance with this order.

Indeed, I do regard the current Conference emphasis on ethics issues as duplicative and redundant.

FEDERAL ELECTION COMMISSION

STATEMENT OF LEE ANN ELLIOTT, VICE CHAIRMAN, AND CHAIRMAN OF THE FINANCE COMMITTEE

ACCOMPANIED BY JOHN W. McGARRY

INTRODUCTION OF WITNESS

Senator DECONCINI. Our next panel will consist of representatives from the Federal Election Commission.

The Vice Chairman and Chairman of the Finance Committee of the Commission, Ms. Lee Ann Elliott, is our lead witness.

We welcome you this morning, Ms. Elliott. You are familiar with the procedure here. We ask that you summarize your statement, please, and we will include your full statement in the record.

We welcome your colleagues and members of your staff, and are very pleased to have you and Mr. McGarry with us today.

Ms. ELLIOTT. Thank you, Mr. Chairman.

It is within our tradition for the Vice Chairman of the Federal Election Commission to serve as Chairman of our Finance Committee, and to be our fiscal watchdog for the particular year in which we serve.

BUDGET OVERVIEW

The statement that I am presenting to you today on behalf of the Commission requests $15,768,000, and a staff of 258 for fiscal year 1990.

For the first time in several years, our budget request is at serious odds with the Office of Management and Budget's assessment of our requirements. For reasons undisclosed to us, this year OMB has been unwilling to consider a budget figure that would enable us to continue our operations at last year's level, much less address this year's special needs. Three separate written appeals to OMB have been verbally rejected without elaboration. Were it not for this opportunity to present our testimony today, the OMB figure could, by default, become the sum appropriated.

OMB's amount of $14,257,000 is $1,511,000 less, or 9.6 percent less, than our budget request, and would deeply cut into our staff and mandated programs.

The Commission has paid a terrible price for harmony with OMB over the past several years. We have absorbed mandated cuts; we have shouldered an increasingly heavy workload; we have not hired up to the OMB approved personnel level; we have retimed our purchases and programs; yet, we have increased our efficiency.

SUPPLEMENTAL REQUEST

Our 1989 appropriation left us in a fiscal straight jacket. As a result, we cannot continue accommodating at the cost of our mandated programs. In fact, we cannot meet our current obligations for 1989 unless we have supplemental funds totaling $368,000.

These supplemental funds are essential if we are to make it through this fiscal year. Because our budget is 70 percent personnel compensation, any minor or unpredictable change in compensation or benefits has an enormous effect on our budget. For example, our agency's share of employee health insurance premiums rose 31 percent in fiscal year 1988, and another 25 percent in fiscal year 1990. Accordingly, we seek a supplemental request for $368,000 just to cover these new and unanticipated costs for 1989.

BUDGET REQUEST

Our 1990 base budget is minimal. In fact, it is too minimal. It doesn't even continue our steady-state mandated programs. On page 5 of our testimony, we show how our base budget was developed, and it shows the impact of the mandated programs.

Just to highlight a few of those things, on line 2, we have already taken out the $1 million, one-time appropriation you gave us last time. We have taken out $285,000 for the extra personnel we had for the Presidential year.

It shows $496,000 in mandated salary and benefit increases that came to us early to put into our program, and then we have another $246,000 since the preparation of our first base, which brings this to a base level of $15,330,000.

To our base we propose adding the following five programs, at a cost of $438,000. The first of these five programs reflects the Commission's experience in increasing the speed and clarity of disclosure and enforcement, and promoting a better understanding of campaign finance. Now, this is not just a wish list. Our judgment is confirmed by the fact that these programs have been urged upon us by the Congress, the press, and the public.

So, first we request only $42,500 to reinstate the computerized data entry of all contributions over $200.

Our second addition pertains to legal training. In the past we have, on a funds available basis, sent individual staff attorneys to courses offered by the National Institute of Trial Attorneys. On the basis of cost per trainee, this is an expensive way to train our staff, and now this same organization offers lower rates for on-site group training. For $25,000, our entire professional enforcement staff can receive high quality and efficient training in depositions and negotiations.

Third, we seek additional funds to hire three support staff for the Office of General Counsel. Currently, our professional staff is involved in clerical work, so this is not a good use of their time.

Fourth, we propose to hire an additional staff member in our Press Office to handle our increasing press and FOIA inquiries. Now, we do not do press outreach. This is just a response program that we have to handle, because people come in and inquire.

Fifth, we propose a public education program concerning the Presidential election campaign fund tax checkoff. Approximately

$35 million is earmarked each year for the Presidential election campaign fund by taxpayer checkoffs, and the 1988 election depleted the fund by $177 million. We project that the fund will have enough in it to cover the 1992 Presidential election, but we know that there will be a serious shortfall in the 1996 elections. We estimate this to be a $72 million shortfall. So we have suggested that we launch a public service advertising campaign, in conjunction with the Advertising Council, to educate the taxpaying public on the workings of this form of earmarking funds. Our share would be about $250,000.

Mr. Chairman, the base budget, or the additions, are not for steady-state activity. Our workload is just mushrooming. It is just increasing in geometric proportions.

Campaign financing is under intense scrutiny by the Congress and the press. The pressure for information and disclosure makes us feel that this is not the time to cut back on the operations of the Federal Election Commission. Any cut into our base figure would do just that.

Our 1989 supplemental and our 1990 amendment ask for appropriations for unanticipated high increases in staff costs, insurance premiums, and the mandated Inspector General's Office.

The first of our three additional programs let us just maximize our base program, and provide better disclosure and enforcement, and the fourth and fifth respond to both congressional and public demands.

Mr. Chairman, ironically, the Commission would be in a more advantageous position if we were again to absorb the Gramm-Rudman-Hollings cuts than accept OMB's suggested appropriation. We must have our budget request or take immediate steps to cut back our services and programs.

1989 RESCISSION

This is the testimony that we have presented previously to two committees in the House of Representatives, and since that time, our situation has just gotten substantially worse.

OMB has a suggestion before the Congress for a 1.1 percent, or $170,000 cut, in our current budget. We are way past that, we are way past muscle, we are into our vital organs, and if this recommendation by OMB goes through, we must begin to plan to furlough our staff.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF LEE ANN ELLIOTT

Mr. Chairman, I am happy to present the Federal Election Commission's fiscal year 1990 budget request of $15,768,000 and 258 staff (FTE).

For the first time in several years, our budget request is at serious odds with the Office of Management and Budget's assessment of our requirements. For reasons undisclosed to us, this year OMB has been unwilling to consider a budget figure that would enable us to continue our operations at last year's level, much less address this year's special needs. Three separate written appeals to OMB have been verbally rejected without elaboration. Were it not for this opportunity to present our testimony today, the OMB figure could, by default, become the sum appropriated. OMB's amount of $14,257,000 is $1,511,000 or 9.6% less than our budget request and would cut deeply into our staff and mandated programs.

The Commission has paid a terrible price for harmony with OMB over the past several years:

- We have absorbed mandated cuts
- We have shouldered an increasingly heavy workload
- We have not hired up to the OMB approved personnel level because of other absorptions
- We have re-timed purchases and programs
- We have accommodated and ceded at every turn
- We have gone way beyond fat and cut into muscle
- Yet, we continue to increase efficiency

Our 1989 appropriations left us in a fiscal straight jacket. As a result, we cannot continue accommodating at the cost of our mandated programs. In fact, we cannot meet our current obligations for 1989 unless we have supplemental funds for the following purposes:

1989 SUPPLEMENTAL

1. Unfunded 2.1% of the 4.1% pay raise and special rate pay for typists:	$202,000
2. Increase in the agency's share of health insurance premiums for fiscal year '88 and in '89:	114,000
3. One half year's operation of a mandated Inspector General Office:	52,000
	$368,000

These supplemental funds are essential if we are to make it through this fiscal year. Because our budget is 70% personnel compensation, any minor or unpredicted change in compensation or benefits has an enormous effect on our budget. For example, our agency's share of employee health insurance premiums rose 31% in FY '88 and another 25% in FY '90. Accordingly, we seek a supplemental request of $368,000 just to cover all these new and unanticipated costs for 1989.

Further, these new costs will continue into the 1990 budget at even higher rates. For example, the newly mandated Inspector General's Office will cost $121,000 in 1990! These new costs cannot be absorbed and are addressed in our FY '90 amendment.

1990 OVERALL BUDGET REQUEST

Our 1990 budget request is simple and straightforward:

1990 Base Budget Request:	**$15,084,000**
Amendment:	246,000
FY 1990 Amended Base:	**$15,330,000**
Five Program Additions:	438,000
FY 1990 Overall Request:	**$15,768,000**

In dollars, this represents only a 2.2% ($335,000) increase over our fiscal year 1989 appropriation and a reduction of 6 staff years. Here is a summary of each of the three elements of our request.

1990 BASE BUDGET REQUEST

Our 1990 base budget is minimal...too minimal. It is merely a continuation of our steady-state mandated programs. Our 1990 base budget is $15,084,000. This is how it was developed:

1. FY 1989 Appropriation:		$15,433,000
2. Less cost of FY 1989 Office Automation Project:		- 1,000,000
3. FY 1989 Adjusted Base:		$14,433,000
4. FY 1990 Cost to Maintain Office Automation:		200,000
5. FY 1990 Mandated Salary and Benefit Increases:		496,000
FY '90 cost of 4.1% '89 pay raise:	$287,000	
Within-Grade Increases:	96,000	
FY '90 cost of '88 Health Insurance Premiums Increase for the ageny:	66,000	
Merit pay:	47,000	
6. Rent Increase by GSA:		30,000
7. Postage Cost for 1990 Election Year:		45,000
8. Restore Equipment Budget to Normal:		50,000
9. Restore Clearinghouse to Base Level:		36,000
10. Non-personnel Inflation:		79,000
SUB-TOTAL:		$15,369,000
11. Less Personnel Decreases:		- 285,000
BASE BUDGET REQUEST:		$15,084,000
12. Plus Amendment for new mandated items:		246,000
Inspector General's Office:	$121,000	
Cost of Health Insurance:	125,000	
FY 1990 AMENDED BASE BUDGET REQUEST:		**$15,330,000**

Line one shows that in fiscal year 1989, Congress appropriated $15,433,000 and authorized 264 staff for the Commission. This is $349,000 and 13 staff years more than we seek for our fiscal year 1990 base budget.

Line two subtracts an essential one-time expenditure in last year's budget. In FY '89, we were appropriated $1,000,000 to purchase an agency-wide Office Automation System. We have completed a successful pilot test, have begun to procure the hardware for our new system, and will stay within the earmarked appropriation.

Line three shows our adjusted base for FY '90 of $14,433,000 to which current base level adjustments are made.

Line four shows our FY '90 costs to maintain our new Office Automation System. This base figure of $200,000 is throwing good money after good. The pilot test indicates that our $1,000,000 system will prove enormously productive. Our system will cut costs and create a speedy and efficient process. We must properly maintain this new system with an adequate funding for maintenance, software updates, training and supplies.

Line five's base figure of $496,000 shows mandated increases to the Commission's personnel expenses that we can no longer absorb or bury as OMB suggests. These increases are mandated by law or are otherwise not controllable by the Commission. These increases have a pronounced effect on our agency budget which is 70% personnel compensation. We must have realistic base level funding for our 258 FTE. We can no longer absorb these increases without cutting programs.

Line six shows another automatic increase in our base budget for GSA rent. This $30,000 increase also is not controllable by the Commission.

Line seven is a well established base level increase for our election year budgets. We routinely mail reporting forms to all political committees to alert them to their filing requirements. Money spent for this purpose saves a lot of money later on enforcement.

Lines eight and nine are base level restorations of equipment and services to get the Commission back on its feet. Our equipment replacement budget was cut 50% in FY '89 and we are beginning to cannibalize our own equipment. Also, Clearinghouse contracts must be restored in order to complete continuing research needed by state and local election officials in support of their role in the federal election process.

Line ten represents inflationary increases of $79,000. We are predicting a 4.55% rise in these non-personnel areas of supplies, printing, travel, telephone and other services.

This leaves a base sub-total of $15,369,000. Importantly, line 11 subtracts $285,000 from this figure for 13 departing temporary staff that assisted our Audit and Public Records Divisions with their increased workload during the 1988 Presidential election. The realistic figure for this decrease is $285,000, not the $400,000 that OMB suggests. This yields a base budget of $15,084,000. In fact, this base budget for fiscal 1990 is $349,000 under our fiscal year 1989 appropriation. This base budget is as lean and mean as it can possibly get. The base cannot absorb one more cut; nor sustain additional mandated programs.

1990 BUDGET AMENDMENT

Line twelve shows an amendment to our original request. As with our request for a supplement in FY '89, we must already amend today's FY '90 Budget Request to account for an alarming increase in our Agency's share of health insurance premiums and the addition of an Inspector General's Office.

FY 1990 ORIGINAL BASE BUDGET REQUEST	$15,084,000
1. Increase in agency share of health insurance premiums carried through 1990:	125,000
2. Inspector General for FY 1990:	121,000
	246,000
FY 1990 AMENDED BASE BUDGET REQUEST	$15,330,000

These figures carry forward two elements of our '89 supplemental request for funding our mandated participation in health insurance programs and our two-person Inspector General's Office. These costs were not predictable in preparing our FY 89 and 90 Budget Requests.

FIVE PROGRAM ADDITIONS

To our base budget, we propose adding the following five programs at a cost of $438,000:

1. Restore data entry of all contributions over $200:	$42,500
2. On-site Legal Training for Enforcement Staff:	25,000
3. Three Support Staff for the General Counsel:	75,000
4. Increase Press Office Service:	40,500
5. Public Education Program on the Presidential Election Campaign Fund Tax Checkoff:	250,000
TOTAL PROGRAM ADDITIONS	$438,000

These five program additions reflect the Commission's experiences in increasing the speed and clarity of disclosure and enforcement, and promoting of a better understanding of campaign finance. This is not just a wish list. Our judgment is confirmed by the fact that these programs have also been urged upon us by the Congress, the press and the public.

First, we request only $42,500 to reinstate the computerized data entry of all itemized contributions over $200. A little history may be helpful. In 1980, the

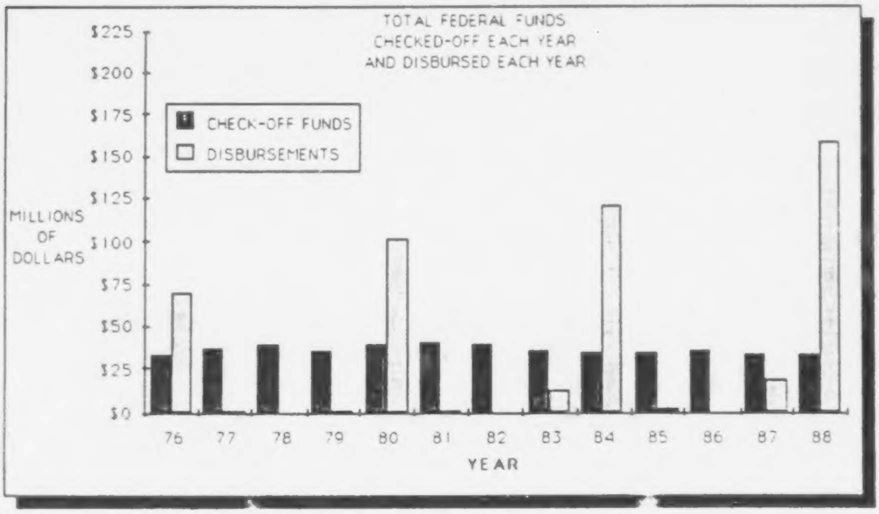
Commission discontinued the computerized data entry of all reported contributions under $500. This was a very expensive operation, and we faced severe budget cuts. Since that time, however, our per unit data entry expense has dropped and our expanded system can handle this frequently requested information. For an estimated cost of only $42,500 we can restore our database to include all individual contributions of $200 or more.

Our second addition pertains to legal training. In years past we have, on a funds available basis, sent individual staff attorneys to courses offered by the National Institute of Trial Attorneys. On the basis of cost per trainee, this was an expensive way to train staff. Now, however, NITA offers lower rates for on-site group training. For $25,000, our entire professional enforcement staff can receive high quality and efficient training in depositions and negotiations.

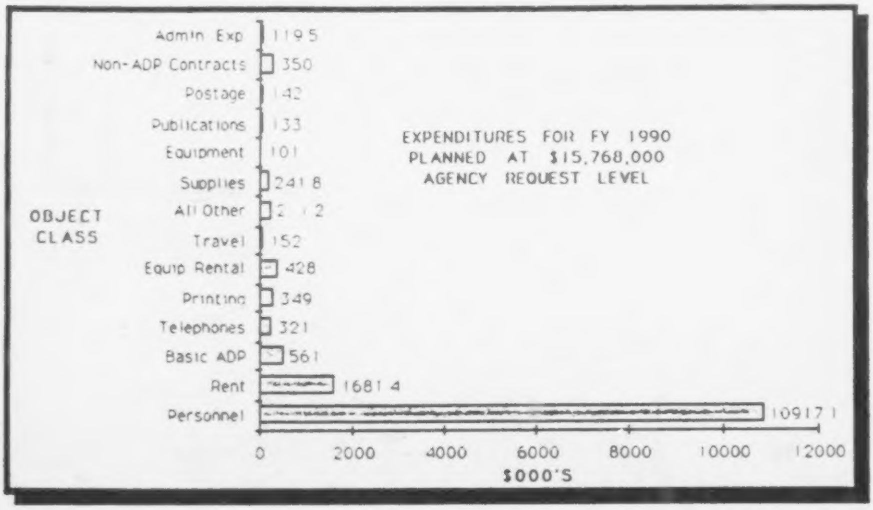
Third, we seek additional funds to hire three support staff for the Office of the General Counsel. Currently, professional staff perform numerous clerical tasks. Our lack of adequate clerical support is a waste of costly professional time. We can remedy this by hiring three more mid-level secretaries at a cost of $75,000.

Fourth, we propose our Press Office hire an additional staff member to handle our increasing Press and FOIA inquiries, and to develop a state and regional campaign finance press release program for the upcoming election cycle. An effectiv press office is critical to encourage voluntary compliance and to respond to the dramatically increasing press interest in the campaign finance area.

Fifth, we propose a public education program concerning the Presidential Election Campaign Fund tax check-off. Approximately $35,000,000 is earmarked each year for the Presidential Election Campaign Fund by taxpayer checkoffs. The 1988 election has depleted the fund by $176,900,000. The following graph clearly summarizes the current situation. While we project the fund will adequately cover the 1992 Presidential election, the fund will fall seriously short in 1996. It has been suggested that we launch a public service advertising campaign in conjunction with the Advertising Council to educate the taxpaying public on the workings of this form of earmarking funds.



In summary, the distribution of our total FY 1990 Budget Request by sub-object class is shown below:

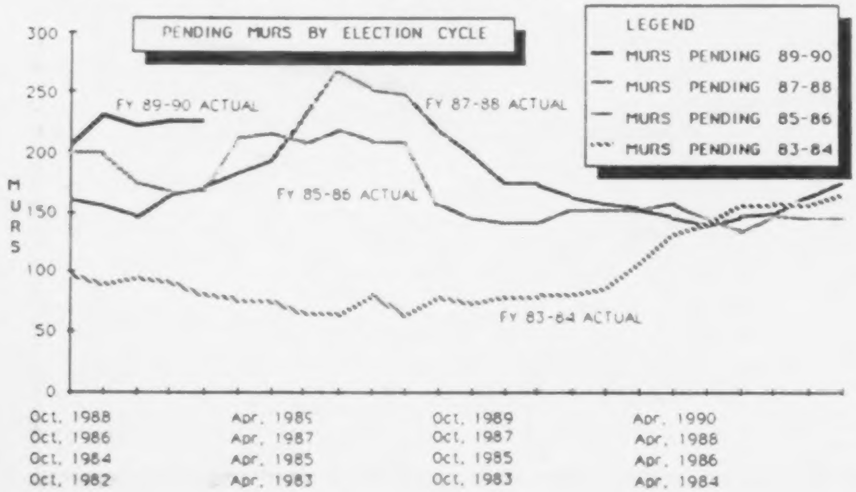


THE NEED

Our budget request speaks to our projected workload for the 1990 Congressional election cycle. Our 1989 management plan is devoted to wrapping up the 1988 Presidential election cycle. The policy and enforcement consequences of the 1988 elections are now being addressed. We are conducting audits of 15 candidates who received over $66,000,000 in public funds for the Presidential primaries. Similar audits are under way for the convention committees who received $9,200,000 each. Lastly, we will audit the two major party general election Presidential campaigns, who each received $46,100,000 for a total of $176,900,000 in public funds.

We have pending today over 220 enforcement cases with 1067 respondents. These were mostly generated from an overwelming number of outside complaints filed during the last months of the campaign. We must also consider numerous staff referrals from our reports analysis function for possible audit or enforcement action. As a result, we anticipate a record workload of cases despite our committment of additional resources to our enforcement program.

FEC ENFORCEMENT--PENDING MURS BY ELECTION CYCLE

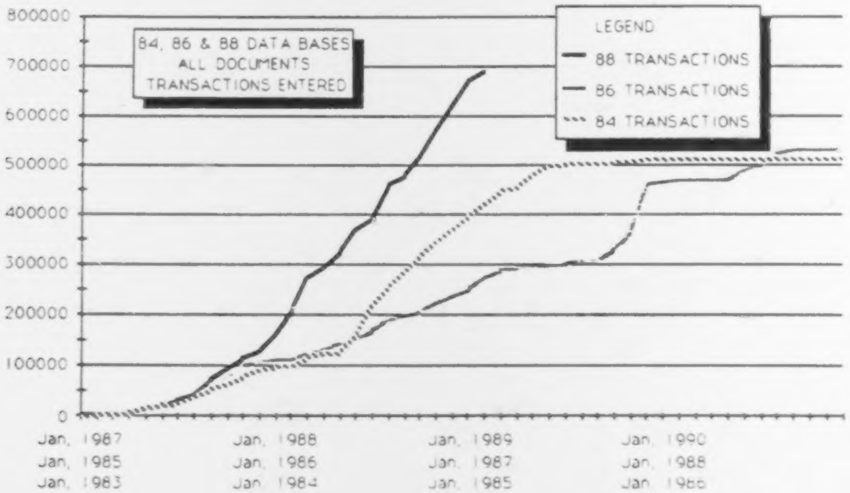


While this enforcement work is still pending, many aspects of the 1988 Presidential election workload have been concluded. I am pleased to report that these high volume, administrative tasks were performed with greater speed and efficiency than ever before. Over $66 million in small individual contributions made to 15 Presidential primary candidates were fully and expeditiously verified and certifications of federal matching funds issued on a timely basis.

Over 600,000 financial transactions reported by political committees were entered into our automated disclosure system months earlier than we were able to accomplish this in the 1984 Presidential election. At the same time, we successfully recaptured an additional 300,000 individual contribution transactions relating to the 1986 Congressional election, which had not been entered into our computer due to the fiscal year 1986 Gramm-Rudman-Hollings sequester. The following graph demonstrates how we are putting more information more rapidly into our disclosure data base:

CUMULATIVE TRANSACTIONS ENTERED-FOUR YEAR PERIODS

(1983-1986, 1985-1988, 1987-1990)



Similar successes were accomplished in indexing the hardcopy reports and putting microfilm copies of them on the public record within 48 hours of receipt. Our Reports Analysis Division, which performs a desk audit of each committee, also operated with their customary thoroughness and efficiency.

Simply put, the failure to maintain proper staffing in these line programs would endanger these recent successes and jeopardize our oversight of the 1990 election cycle.

CONCLUSION

Campaign finance is under intense scrutiny by Congress and the press. The pressure for information and disclosure makes us feel that this is not the time to cut back the operations of the Federal Election Commission. Any cut into our base figure will do just that.

The first three of our five added programs lets us maximize our base program and provide better disclosure and enforcement. The fourth and fifth programs respond to Congressional and public demands.

Our '89 Supplemental and our '90 Amendment request appropriations for unanticipated high increases in staff costs, insurance premiums and the mandated Inspector General's Office.

Mr. Chairman, the Commission ironically would be in a more advantageous position if we were to again absorb the Gramm-Rudman-Hollings cuts than accept OMB's suggested appropriation. We must have our budget request or take immediate steps to cut back our services and programs.

I would be happy at this time to take any questions you may have.

CUTBACKS

Senator DeConcini. Thank you, Ms. Elliott, very much.

If you don't get this necessary increase, which you articulate extremely well, what would you have to cut? I realize that you would have to lay off some people, but what programs—what would actually suffer first?

Ms. Elliott. Well, of course——

Senator DeConcini. Monitoring, or public relations—what would you expect to cut?

Ms. Elliott. Well, the five additional programs would be the first to go.

Senator DeConcini. You would just eliminate those?

Ms. Elliott. We would just have to eliminate those. We are already cutting back on our staff. We have the authorization for 264 people. We are already, by attrition, down to 258. We have to cut, because we know we cannot make ends meet.

Senator DeConcini. How many would you have to cut if you got the OMB figure? If you didn't get your request?

Ms. Elliott. Well, do I infer in that that we wouldn't get the supplement? Was that the question?

Senator DeConcini. Excuse me?

Ms. Elliott. Does that assume that we wouldn't get the supplement for this year?

Senator DeConcini. Yes; if you didn't get the supplement, and you didn't get the increase you need for next year, how many people would you estimate you would lose?

Ms. Elliott. Well, on a dollar-for-dollar basis, we would be rolling back, I would think, somewhere between 12 and 15.

Senator DeConcini. Twelve or fifteen would be cut.

Ms. Elliott. And then, of course, we would—our staff just handed me a note that says upward of 30.

Senator DeConcini. That is, if you lost these requests?

Ms. Elliott. Yes; however, we would also, at the same time, design a program where we dismiss some complaints just out of hand.

Senator DeConcini. You would——

Ms. Elliott. Just not enforce——

Senator DeConcini [continuing]. Increase the threshold as to whether or not a complaint is considered?

Ms. Elliott. We would have to do that.

Senator DeConcini. Do you have a standard now?

Ms. Elliott. No.

Senator DeConcini. Of complaint?

Ms. Elliott. No.

Senator DeConcini. You take them all on a case-by-case basis and decide. If you lost these funds, you would have to set a standard that unless a complaint did A, B, or C, you wouldn't look at it?

Ms. Elliott. Exactly.

Senator DeConcini. Or alleged A, B, or C.

Ms. Elliott. That is right.

Senator DeConcini. I am going to have to go vote, but let me ask you this question.

Concerning the $250,000 for the public education project, I understand that you intend to use these funds to undertake a campaign with the Advertising Council.

Ms. ELLIOTT. Yes; that is——

Senator DECONCINI. How much will they put up, do you have an estimate?

Ms. ELLIOTT. That number is our amount.

Senator DECONCINI. And is that used for production, primarily?

Ms. ELLIOTT. Yes; production only. They would take it upon themselves to get all the placement and——

Senator DECONCINI. What are they representing as to how much that would be worth?

Ms. ELLIOTT. I do not know.

Senator DECONCINI. Could you supply that for the record?

Ms. ELLIOTT. I will supply that for the record. I have several other things that we would cut back; we would have to cut back our computer training, we would have to delay audits for cause, we would have to cut back on our computerized data that we enter into—the whole program would just be emasculated.

Senator DECONCINI. All right, thank you.

Let me go back to the public relations matter. On that subject, if you would please supply us with what the Advertising Council is representing that their participation would be.

Ms. ELLIOTT. I will do that.

Senator DECONCINI. Have you undertaken any research to determine why the taxpayers were reducing their support of the Presidential fund?

Ms. ELLIOTT. No, sir.

Senator DECONCINI. Do you anticipate doing any research, or have you done any surveys, to determine whether taxpayers would respond to an advertising program?

Ms. ELLIOTT. No, sir.

Senator DECONCINI. Do you intend to do any of that?

Ms. ELLIOTT. No.

Senator DECONCINI. You are just going to kind of take the chance here that this works, and that people will respond to it?

Ms. ELLIOTT. Well, those who are solidly behind public financing feel that an advertising program would make people more aware of it, and that people who support it would check it off, and others who don't would know what it was for and not check off.

Senator DECONCINI. I agree, but my point is, it seems to me awfully important to know what would appeal to them, in a survey, so that when you make your public advertisement you have a good idea if they are going to respond to it or not. You know, you could have an advertisement showing what happens if we don't have some public financing, that you have more corruption, you have more discrete costs, you have pressure on people to give when they shouldn't have that.

Ms. ELLIOTT. Absolutely.

Senator DECONCINI. But I don't know what is in the public mind as to what it prefers.

Ms. ELLIOTT. Absolutely.

Senator **DeConcini**. My point is, do you intend to try to do any surveys to get a sense of what the public thinks before you do this massive advertising?

Ms. **Elliott**. I think the Advertising Council would do that.

Senator **DeConcini**. Well, can you find out and let us know what their proposal is?

Ms. **Elliott**. Yes.

Senator **DeConcini**. As to what the public would respond to.

Ms. **Elliott**. I agree with you. It would be a waste to spend $250,000 to produce something that you had not tested.

Senator **DeConcini**. Now, was this the only amount that Congress or your Commission would be obligated for, $250,000? There would be no deficit or any other amount that the Congress might be asked to come up with for the Advertising Council?

Ms. **Elliott**. This is the only amount that would be in this request.

Senator **DeConcini**. You would have a contract or an agreement with them?

Ms. **Elliott**. Yes.

Senator **DeConcini**. Along those lines?

Ms. **Elliott**. Yes.

Senator **DeConcini**. OK.

Ms. **Elliott**. We will furnish all of that in great detail.

Senator **DeConcini**. Very good. Well, I have some further questions, but I will submit them because of the shortage of time, as will Senator Domenici.

We thank you very much.

Ms. **Elliott**. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

OVERVIEW

Question. Your fiscal year 1990 budget request is $1.511 million and seven positions above the request submitted by the President and approved by OMB. This increase would bring your total fiscal year 1990 funding level to $15.768 million or $335,000 over the fiscal year 1989 enacted level. Since your fiscal year 1990 budget contains a nonrecurring cost of $1 million for your office automation project funded in fiscal year 1989, and since you are just coming out of a Presidential election year, why is your budget increasing for fiscal year 1990 when technically, we should be seeing a reduction -- do you expect your workload to stay the same in fiscal year 1990 or increase? If so, can you please tell us why?

Answer. The Commission is facing increased costs for salaries due to the annual COLA's and the annual increases in the agency's share of health insurance (33% and 25% increases on January 1, 1988 and January 1, 1989, respectively). Because the Commission's overall budget is 70% personnel costs, increases in salaries and benefits costs necessarily have a significant impact on the Commission's budget.

In addition, the fiscal year 1990 request contains the cost to maintain and operate the office automation equipment purchased in fiscal year 1989. Our estimate of the cost for this on an annual basis is $200,000; OMB felt this was low and estimated $250,000. Furthermore, the Commission's budget for fiscal year 1989 is low in many non-personnel areas such as equipment purchases, Clearinghouse contracts, and basic support costs. We agreed to such a tight basic budget to reach agreement with OMB for fiscal year 1989 and to secure the one-time funding for the office automation project. We cannot, however, continue to absorb such costs in the future without harming our ability to support the necessary staff required to meet our statutory mission.

The Commission has absorbed many personnel and non-personnel increases in the past several fiscal years but cannot continue such absorptions in the future. Therefore, the fiscal year 1990 budget request seeks the full, true cost of the needed staff and the cost to support that staff.

With regard to workload, the amount of money put into campaign finance activity for Federal elections continues to increase, which has an impact on our workload. The first few months of activity for the 1990 election cycle indicate a continued increase in the documents filed with the Commission and the resulting number of transactions entered into our disclosure data base. We foresee a continual increase in our disclosure and compliance activity. Furthermore, 1990 represents the pre-1990 election period, while fiscal year 1989 represents the post-1988 election period.

Historically, the workload for the congressional election succeeding a Presidential election reflects the new higher plateau of money and activity generated by that Presidential election.

Question. Your testimony points out that OMB's proposed budget for the FEC for fiscal year 1990 does not recognize increases necessary to fund $125,000 in health benefits costs nor $121,000 needed to fund the Inspector General Act Amendments of 1988. I see you also have submitted a fiscal year 1989 supplemental request to the Congress for $368,000 to fund some of these same activities. Your supplemental request has not been included in the supplemental submitted to the Congress by President Bush. Can you tell us about your discussions with OMB on these items for both fiscal years and why they denied these increases?

Answer. OMB's response on the fiscal year 1989 supplemental request indicated that they would not consider any supplemental request without a corresponding offset proposal. We were informed verbally of the denial of our request for fiscal year 1989 at the same time we were informed of the 1.1% rescission proposal. Except for the Darman transmittal with regard to the 1.1% rescission, we have not received written communication with regard to our request. We have received verbal communication from OMB regarding their strong disapproval of the tone and nature of our appeal of the 1.1% rescission proposal; we assume the appeal has been denied.

With regard to the additions to our fiscal year 1990 budget request for the health insurance increases and the cost of the Inspector General's Office, we were again informed of the denial verbally. Generally, the thrust is that no new requests will be entertained without an offset.

INSPECTOR GENERAL ACT AMENDMENTS

Question. Can you explain to the committee what rationale was used to make the decision that the Federal Election Commission should have its own statutory Inspector General?

Answer. We can only assume that the authors of the legislation were determined to allow as few exceptions as possible. We believe this may have been the case, with no examination of the special nature of the FEC's unique role in campaign finance regulation and, therefore, the political system.

Question. Is an Inspector General practical for the FEC? Please explain.

Answer. The Commission believes that the need for an Inspector General is, in many ways, obviated at the FEC. The FECA and Title 26 of the Internal Revenue Code build in an audit function for our only grant program--the public funding of Presidential campaigns. Each committee is fully audited and repayments are ordered to the U.S. Treasury for any monies misspent. The final audit report of these campaigns is placed on the public record.

The remainder of our work is regulatory in nature rather than of a funds or grants dispensing nature. Further, the bipartisan nature of the Commission with an equal number of each major party represented on the Commission also reflects a natural balancing mechanism. The need for four votes to undertake any action precludes much of the chance for unethical, secret, or wasteful actions. Given the existing balance and natural checks inherent in our mission and structure, the benefits of a powerful, independent participant who could disturb the bipartisan balance is somewhat in doubt. The Commission does not believe that the Inspector General office is as necessary at the FEC as at regular line agencies.

Question. How are your current internal audit activities being conducted within the FEC? How many staff are assigned to internal audit and why can't these staff be transferred to an Office of the Inspector General in both fiscal year 1989 and 1990?

Answer. The Audit Division internally audits areas of vulnerability on a random basis. There is more internal audit activity during off-election years when the workload of auditors permits. Because the FEC is such a small operation, this is a task that has been worked into the auditors normal schedule.

The fiscal year 1990 budget contains no allotment for internal audits at this time; it is possible that some minimal audit work would be completed in the 1990 fiscal year once the presidential audits are completed.

PRESIDENTIAL FUND CHECKOFF

Question. What will happen if the Presidential Fund does run a deficit in fiscal year 1996? What practical affect, if any, will it have on Presidential campaigns?

Does the Congress have a responsibility under the law to make up for any deficit in the campaign fund through appropriations? Can you please explain how this process works?

Answer. There is no definitive data as to why participation is at the level it now is, or why it has been declining. We have not had the funds to perform such a survey. It was clear from the conversations with the Advertising Council that one of the initial steps in the campaign would be a broad public opinion survey to determine attitudes and to target the educational campaign so as to be most effective. Attached for your information is the "Council Criteria and Processes for Obtaining Campaign Assistance." Your attention is called to page 2 regarding Major Campaign Proposals.

The general election grants and the financing of convention committees have first priority under the law (26 U.S.C. § 9037(a)), with the primary matching program having last priority. The Commission would have to make a determination as to how to pro-rate the funds available, and how to allow the committees to proceed to make up the difference through private contributions (26 U.S.C. § 9003(b)(2) and 26 U.S.C. § 9006(c)). A pro-rate determination was anticipated by Congress and is part of the FECA.

There is no specific responsibility placed upon the Congress with regard to the shortage of Federal funds and the use of appropriations to make up the shortfall in the FECA. In fact, the law states that if an insufficiency of funds exists "...moneys shall not be made available from any other source for the purpose of making such payments." (26 U.S.C. § 9006(c))

COUNCIL CRITERIA
AND
PROCESSES FOR OBTAINING CAMPAIGN ASSISTANCE

Council campaign support takes two basic forms:

1) We conduct approximately 32 major public service campaigns each year, which focus public awareness on this country's most significant social needs and promote voluntary citizen actions to help solve national problems.

2) The Council also supports about 70 other public service advertising campaigns by recommending them to the media and publishing information about them in our bi-monthly Public Service Advertising Bulletin. (copy enclosed.)

Hundreds of requests are received each year. They come from private philanthropic organizations, government agencies, and sometimes from within the Council itself.

Whether the request is for a major campaign or for inclusion in the Council's bi-monthly Public Service Advertising Bulletin, each proposal is carefully reviewed. The staff gathers and checks information about the problem, the proposed solution and action message, and the credentials of the sponsoring organization.

CRITERIA

- If the organization is a fund-raising one, the Council considers whether or not it meets the standards of public and private accreditation organizations such as the National Information Bureau.
- The problem must be national in scope and priority, but the message must apply on all local levels, too.
- It must be non-partisan politically, non-denominational and non-commercial.
- It must be a project that readily lends itself to advertising.
- It cannot seek to influence legislation in any way.
- It should be sufficently serious and of public importance to warrent donations of space and time by national and local media.

MAJOR CAMPAIGN PROPOSALS

The Campaigns Review Committee, composed of Board members, evaluates each proposal, as does an independent Public Policy Committee. The Public Policy Committee is composed of people who represent the public sector. They are leaders in education, law, medicine, social welfare and other groups.

When a major campaign has been accepted, a Task Force is created:

- A Volunteer Advertising Agency is appointed by the American Association of Advertising Agencies to create the campaign advertising.
- A Campaign Director is appointed by the Association of National Advertisers to serve as a project director (a business executive from a major corporation, experienced in marketing, advertising, and/or communications).
- An Ad Council Campaign Manager coordinates the various Task Force groups and sees the campaign through to production and distribution.
- The Sponsoring Organization Representative is the parallel to the "client" contact in a commercial campaign.

The planning, writing and designing of major campaign materials is contributed by a volunteer advertising agency. Ultimately, the Council's Media and Public Information Departments must distribute and promote the use of these materials to 20,000 media outlets. The space in which advertisements are printed or posted and the time given to broadcast the messages are contributed by the media or by advertisers (both local and national).

The organizations for which major campaigns are conducted reimburse the Council for the out-of-pocket costs of producing the campaign materials -- films, recordings, mats, plates, etc. -- averaging from about $200,000 to $275,000 per campaign annually, but this is multiplied into millions of dollars in creative services, media time and space and managerial expertise.

Council major campaigns share in media contributions of time and space which now total over $1 billion dollars annually. In its 46 years of operation, the total media contributions to Council campaigns have amounted to more than $16 billion.

BULLLETIN SUPPORT

Requests are evaluated by a sub-Committee of the Campaigns Review Committee of the Board.

The recommendations of each of these Committees is given to the Board of Directors for its final decision.

In the case of Bulletin campaigns the organization requesting Council support in the form of listing in our Public Service Advertising Bulletin is responsible for the creation, production, reproduction, and distribution of its own campaign materials.

Each Bulletin campaign sponsoring organization is requested to share the out-of-pocket costs for preparation and mailing of the issue of the Bulletin in which their public service advertising campaign is recommended to the media by the Council. At the present time this share of out-of-pocket costs is $275.00.

Many organizations have informed the Council that the Bulletin recommendation has helped them to obtain and maintain the recognition and support of the media. The media has indicated that the Council Bulletin recommendations are of assistance in their decisions regarding contribution of time and space.

APPLICATION PROCESS

The first step in the process of application, then, is a formal letter requesting Advertising Council assistance, accompanied by pertinent information.

The Council provides several items that are intended to aid the applicant in the preparation of the request. These include a questionnaire, and the Brochure of the National Information Bureau*. This is the standard-setting organization in the philanthropic field that is mentioned in the Council's criteria.

It takes from one to three months for a major campaign proposal to be accepted or declined. If accepted there is a comparable lead time of three to six months to six months for a new agency to prepare the finished advertising campaign.

OTHER INITIATIVES

Question. Your budget also contains an additional $188,000 to fund other program enhancements. $40,500 of this amount has been requested to increase your Press Office by one position and to expand the dissemination of press releases. Why is this additional press position necessary, and why can't you simply just respond to press inquiries without reaching out with press releases?

Answer. The press program is requested to provide assistance to the present staff to handle the increasingly high volume of press inquiries. An estimated 33% of this staff position would allow senior staff to be involved in the Ad Council tax checkoff fund education project.

The volume of press inquiries was a major factor in this request, as was the demand to provide the widest possible disclosure of campaign finance data through the local media.

*National Charities Information Bureau
19 Union Square West
New York, New York 10003-3395

Council of Better Business Bureaus, Inc.
1515 Wilson Boulevard
Arlington, VA 22209

OFFICE OF GENERAL COUNSEL

Question. You are also requesting six additional enforcement staff positions in fiscal year 1990. Can you explain why these additional staff positions are necessary?

Answer. The six positions contained in the Base Budget request reflect the continuation of an additional fourth enforcement team in the counsel's office. The Congress and the OMB recognized the need for this enforcement team in the fiscal year 1989 appropriation, although only funds for three of the six authorized positions were included. The Commission's backlog of pending enforcement matters reached record levels in fiscal year 1987-1988, with over 275 pending cases at one point. Early indications are that the fiscal year 1989 workload is above the same point in fiscal year 1987, despite the infusion of additional resources.

The dynamic increase in enforcement workload is the primary reason for the need for these six positions, which were included in the Commission's fiscal year 1989 management plan.

OFFICE AUTOMATION COSTS

Question. Your testimony states that as the costs of political campaigns continue to rise, so does the workload of the Federal Election Commission. To accommodate the expanded workload, you are requesting $200,000 for the procurement and support of automated data processing activities in fiscal year 1990. Since we provided $1 million in fiscal year 1989 for office automation, why is this additional procurement necessary? Aren't there any productivity savings that can be realized from the automation efforts already funded--if so, what savings can you assume in fiscal year 1990 due to these efforts?

Answer. As stated previously, the $200,000 represents the cost of maintaining and operating the $1 million acquisition of office automation equipment in fiscal year 1989. OMB felt this was low and included $250,000 in their suggested funding for the Commission. These operating costs are outside of the productivity increases which we anticipate will be necessary to preclude requesting even more staff in enforcement and other Commission programs due to increasing workloads.

DATA ENTRY

Question. In fiscal year 1990 you expect to resume data entry of all reported contributions of $200 to $500 by individuals. Your testimony indicates that this program is being started in fiscal year 1989 at a cost of $7,000. Since your fiscal year 1989 budget is short, why are you undertaking this activity, and can you tell us what benefits will be derived?

Answer. The Commission is currently entering the $200 to $500 contributions on those 1990 election cycle reports being filed. The number of reports (and contributions) is small so far, and the cost is minimal. It is much more economical to enter such data once rather than retrieving the reports a second time and performing the coding and entry separately. The actual entry transaction costs are very economical. We began this project to cover the entire 1990 election cycle in the hope that the funds would be appropriated in fiscal year 1990. Once it is clear that such funds will not be forthcoming as our appropriations bills are reported out of committee, we will cancel the effort.

The Commission receives numerous inquiries from Congress and academia regarding contributions and campaign finance, as well as from other sources. We are often queried regarding the impact of potential legislation which is often predicated on contribution patterns. Lack of this data can be a limiting factor on our ability to.respond fully to those queries. It also limits research by outside parties using our data. Finally, inclusion of such data would enhance disclosure and would assist the FEC in policing the contribution limits in the FECA. This information is required by law to be reported.

OFFICE OF THE GENERAL COUNSEL

Question. You are requesting $25,000 for the training of Office of General Counsel staff and three positions and $75,000 for additional clerical support for your enforcement teams in fiscal year 1990. In fiscal year 1989, we provided funds for an additional enforcement team and a new data processing system. So, why are additional clerical positions required in fiscal year 1990--won't you achieve some efficiencies to expand your workload production per team as a result of the 1989 increases? If not, can you please explain?

Answer. The clerical staff need is anticipated due to the dynamic increase in enforcement cases. The Counsel's office has a shortage of clerical staff causing delays in substantive areas. The training is for attorneys and reflects the lack of comprehensive training for FEC legal staff due to tight budgets and cutbacks over the last few fiscal years.

Question. Your testimony states that the "thorniest legal issues from the 1988 elections" will be in the form of investigations initiated in fiscal year 1989. Can you give us some examples of the types of investigations you have completed or are presently working on as a result of the 1988 elections?

Answer. The 1988 elections spawned the greatest number of external complaints since enactment of the 1979 Amendments to the Act. We are just now bringing forth internally generated compliance matters based upon the cumulative scoring of all disclosure reports filed by all committees over the two year cycle. While it is impossible to agree upon a ranking of issues faced according to importance or difficulty, it is fair to say that the Commission is grappling with tough issues surrounding state-by-state spending limits, allegations regarding soft money, disclaimer problems, inadequate disclosure, and a host of other charges.

CAMPAIGN REFORM

Question. What would be the impact on the Federal Election Commission in fiscal year 1990 if campaign reform legislation were to be approved by the Congress? Would the present legislative proposals being discussed increase or reduce your workloads?

Answer. It depends upon the details of the specific reform proposals as to the final impact on the FEC. None of the proposed legislation would reduce our workload, while others could dramatically increase our activity. Once legislation is enacted it will be scrutinized for impact and the budgetary ramifications articulated. The Commission did not provide for any changes in mission due to legislation in the fiscal year 1990 budget request.

BUDGET FREEZE

Question. What impact would a freeze to the 1989 enacted level of appropriations have on your program activities for fiscal year 1990?

Answer. The impact of a freeze at the 1989 enacted level, $15,433,000 (assuming the $1 million employed for office automation in fiscal year 1989 could be employed for regular purposes in FY 1990) would provide us with sufficient funds to undertake our basic mission. We may also be able to fund one or two of the least expensive initiatives discussed below. The 1989 enacted level is $103,000 more than our base 1990 level.

Question. Of the increases being requested for fiscal year 1990, could you please rank the projects by priority?

Answer. The additional five increases in our Agency Request level, in order of project priority, are:

1. The tax checkoff education program;
2. The $200-$500 contributions data entry;
3. The OGC training program for attorneys;
4. The Press Office enhancement project; and,
5. The Office of General Counsel clerical staff additions.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

FISCAL YEAR 1989 SUPPLEMENTAL FUNDING

Question. The FEC has transmitted concurrently to the Congress and the OMB a supplemental budget request for fiscal year 1989 totaling $368,000. Of the $368,000 requested, $52,000 is to implement the Inspector General Act Amendments of 1988, $202,000 is to fully fund the 4.1% January 1989 Federal employee cost-of-living increase, and $114,000 is to meet increases in the Commission's share of Federal employee health insurance. None of these items were contained in the FEC's fiscal year 1989 budget request and the Commission has indicated that due to these funding omissions, it must operate with 258 staff as opposed to the authorized FTE ceiling of 264. The Commission also indicates that it is restricted from utilizing the $1 million provided for the office automation project to fund these unanticipated cost items.

What will be the impact on the FEC if the $368,000 it requests in supplemental funding for fiscal year 1989 is not provided?

Answer. The impact of not receiving any supplemental funding for fiscal year 1989 will be quick and severe. As the attached memorandum shows, the finance committee has concluded that emergency reallocations and austerity measures must be enacted immediately. See Federal Election Commission Agenda Document #89-23, Mid-Year Reallocations to the 1989 Management Plan, April 13, 1989 (approved 6-0, April 20, 1989).

As part of these emergency measures, the Commission has implemented a hiring freeze for all offices except the Audit Division and the General Counsel's Office. We have also released temporaries earlier than planned, which should leave us at 254 FTE, or 10 staff-years below our OMB approved mark. Obviously, these cutbacks have not allowed the Commission to fully use the additional 13 FTE specifically provided for the 1988 election cycle by the Congress simply due to a lack of funds to pay the staff. These actions will adversely affect the timeliness of filling public requests in the Public Records Office, the processing of itemized data into the disclosure data base, and the clerical support for audit and compliance actions from the 1988 election. In general, the timeliness of service to the public will be much as we would otherwise desire and expect for Commission programs across-the-board absent the personnel reductions.

Further, all campaign finance seminars with the exception of one short conference will be cancelled until fiscal year 1990; over $40,000 has been eliminated from our informational publications budget; and Clearinghouse contracts have been reduced to virtually nothing (from a "normal" budget of $100,000 down to $14,000.) See the attached Commission agenda document on Mid-Year Reallocations to the 1989 Management Plan.

Despite the pressing need to complete the audits of federally funded presidential candidates, the Commission has held open two staff vacancies in the Audit Division to provide travel funds for the completion of the audit fieldwork. Due to the higher number of campaigns headquartered outside of Washington, more cuts are necessary to find another $50,000 in audit travel funds. As a result, the lack of $368,000 in funding has, and will continue to have, an adverse impact on the audit program. It is also clear that the lack of funds has delayed the processing of the compliance work generated from the 1988 elections.

Agenda Document #89-23

April 13, 1989

MEMORANDUM

TO: **The Commission**

FROM: **John Surina**
Staff Director

SUBJECT: **Mid-Year Reallocations to the '89 Management Plan**

The Finance Committee met on April 3 and concluded that emergency reallocations and austerity measures must be enacted immediately. As of this date, it does not appear the Commission will receive the $368,000 supplemental appropriation needed to finish this fiscal year at current operating levels. Further, the Commission may lose an additional $170,000 due to a recision proposed by OMB. This creates a potential $538,000 operating deficit which must be avoided. The following paragraphs provide specific steps for your consideration.

We started fiscal year 1989 recognizing that we could not afford the 264 FTE authorized in the appropriation bill. This resulted from our compromise to create a fourth enforcement team but receive only enough additional funds to pay half that new staff. Also, we were required to absorb over half of the 4.1% general pay raise at a total cost of $197,000.

Our original plan was to save $197,000 in other areas by being very tight in non-personnel objects and allow attrition to take us down to an average staffing level of 258. We will achieve an FTE level of 258. But this needed 2% lapse in personnel staffing is not, however, translating into a 2% dollar saving. Two factors account for this discrepancy. The first is the unanticipated additional costs associated with the extraordinary increase in the agency's share of the Federal Employees Health Benefits Insurance Program. The second is that the staffing lapses which have taken place are generally in lower grade positions.

Our current best guess projections have us ending the year with a $120,000 deficiency. While this may not seem like much against a $15 million budget, it becomes a greater proportion of our unobligated balance with each passing day.

Additional steps are, therefore, necessary to save money. We are now proposing a more rapid reduction of temporary staff in Data and Public Records and a hiring freeze in all offices except Audit and OGC. Staffing would be maintained at full levels for Audit and Counsel in order to address the post-election compliance workload. In addition to making up the projected $120,000 deficit, we must increase Audit Division's travel budget by $22,000 to cover presidential audit field work. Projected travel expenses to conduct the 438(b) authorized committee audits adds a requirement for another $28,000. Finally, we need to reallocate some funds to cover our totally unpredictable phone bill as well as lesser items. Therefore, we are recommending $102,000 in reallocations to cover both the Audit travel and projected debts in other object classes.*

To cover our projected deficiency and increased travel funds to Audit, while allowing both Audit and OGC to maintain their staffing, requires a cross-subsidy from the following areas:

- Data--release four of six temporaries early; freeze hiring in Entry and Coding
- RAD--freeze hiring, cover current secretarial vacancy with floater
- Disclosure--release temporaries and freeze hiring
- Information--freeze hiring, cancel $12,500 in travel funds by postponing west coast conference until October, recoup $44,500 in printing due primarily to CFR not requiring a full reprinting.
- Commissioners--take away $5,000 in travel funds
- Clearinghouse--cancel $40,000 in contract monies, release one temporary, seek maximum self-pay from members of Advisory Panel for August meeting

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*At this point, we are not proposing to shift funds to cover the Inspector General operation. Instead, we will reassign space within our existing holdings and shift staff and supplies without backfill until the permanent staff is assigned and our funding stabilizes. The net effect of all these actions accounts for roughly $300,000 of the $368,000 supplemental requested, with no funds having been expended on the Inspector General thus far this fiscal year.

- Staff Director--don't backfill upcoming floater vacancy--shift second floater to 9th floor when not on assignment

The programmatic effects of these reallocations are as follows:

- Slow down the timeliness of data coding and entry of detailed itemized information from the mid-year reports and other reports received this fiscal year
- Immediately reduce the Disclosure Division to off-year capability and tolerate relatively slow responses to paid research requests
- Eliminate all campaign finance workshops and conferences except for one limited conference in Philadelphia
- Eliminate reprinting of the Citizens Guide
- Reduce by 1/3 all Commissioner's travel to conferences and speaking engagements concerned with campaign finance
- Eliminate virtually all contracts for the Clearinghouse in fiscal year 1989, including projects on Voting Systems Characteristics and a survey of Voting Systems by Jurisdiction
- Slow down the processing of the large number of RFAI's and referrals generated in the post-election review process
- Limit travel funds for the Clearinghouse Advisory Panel meeting
- Reduce the Staff Director's Office capability to provide clerical backup on a temporary basis to other Commission offices

We do not propose that either Counsel or Audit be barred from achieving or maintaining their remaining staff complement, but do request they make every effort to contain non-personnel costs. We hope that these restrictions in the other Divisions will be temporary in nature.

The above reallocations and cost-cutting measures cannot, however, save the Commission from the drastic effects of an additional $170,000 cut in this year's appropriation. Such a significant cut this late in the fiscal year will cripple the Commission. Since we have already exhausted every conceivable austerity measure to cover our existing $368,000 debt, we will have in reality only one option to cover the final cut: furlough the entire staff for the number of days necessary to cover the projected shortfall.

The Finance Committee is currently exercising every appeal possible to prevent this additional $170,000 cut. In the meantime, to be prudent, we must begin reviewing what steps are necessary if we must endure this additional recision.

Question. If the full $368,000 requested cannot be provided, which of the three supplemental funding needs identified by the Commission is considered to be of highest priority?

Answer. The priority is for the costs of the mandated 4.1% pay raise ($202,000) and the cost increase for health insurance ($114,000). These cost increases have already impacted our salaries and benefits costs for fiscal year 1989. The costs association with the mandated Inspector General were held in abeyance pending the appointment of an Inspector General. The Commission has just appointed an acting interim Inspector General from on-board staff, so costs will begin to incur.

Question. The analysis of the Commission's fiscal year 1989 increased pay and support costs which was included as part of the supplemental request indicates that $13,400 of these increased costs will be absorbed by administrative action? How did you arrive at this figure?

Answer. This amount represents non-personnel costs which could be absorbed on a short-term basis, particularly if an in-house interim acting Inspector General was appointed. These costs generally reflected overhead costs for rent, utilities, etc. which can be absorbed on a short-term basis within our basic operating costs.

Question. If the $368,000 in supplemental funding requested for fiscal year 1989 is provided, will the Commission be able to meet its authorized FTE ceiling of 264?

Answer. Probably not. Even if the Commission assumes the funds are forthcoming and hires accordingly, there will not be sufficient time to staff up to 264. Such a course would also have high risks; failure to receive the requested funds would require a furlough of the entire staff for several days--at least a week. This would be due to the increased expenditure of personnel funds at a rate which could not be made up in one or two months if the supplemental was not received in August or September.

As can be seen in our mid-year reallocations, the Commission is operating as if supplemental funds will not be received for personnel purposes. Accordingly, we have made severe cuts in non-personnel object classes which could be restored if we receive the supplemental. We could, however, begin to immediately refill vacant positions once a supplemental was received. This would ameliorate somewhat the damage to FEC programs so far caused by the shortfall in funding.

Question. The supplemental request indicated that the Commission is precluded from utilizing the $1 million provided in fiscal year 1989 for its office automation project to fund these other unanticipated cost increases. The fiscal year 1989 Appropriation Act did not earmark funds for this project; the $1 million provided for office automation is included in the Commission's total $15.433 million fiscal year 1989 "salaries and expenses" appropriation. I do not understand why the Commission is precluded from submitting a reprogramming request to this subcommittee to move a portion of these funds to the salaries and benefits object classifications. Would you please explain why you feel you are precluded from making such a request?

Answer. The Commission promised our oversight and appropriation committees, as well as the OMB, that we would not utilize the $1 million set aside for the office automation project for any other purpose, such as for normal oper-

ating costs. Therefore, the Commission believes strongly that we are precluded from using those funds for any other purpose. In addition, our indications are that all $1 million is necessary to complete the office automation project. Thus we do not intend, nor are we seeking approval, to use such funds for other programs.

Question. While the FEC has transmitted to the Congress a supplemental funding request for fiscal year 1989, the fiscal year 1989 supplemental appropriations package submitted by President Bush included the FEC in the 1.099 across-the-board cut in domestic discretionary residual accounts proposed to offset requested spending increases. Specifically, a $170,000 reduction in fiscal year 1989 funding currently available for the FEC is proposed. What will be the impact on the Commission if this proposed reduction in funding is adopted?

Answer. Given the drastic measures already taken to meet the $368,000 shortfall, the Commission would have no other choice than to furlough the entire staff for the number of days necessary to cover the projected deficit created by the rescission. The FEC has no flexibility left to deal with the rescission proposal.

FISCAL YEAR 1990 REQUEST

REDUCTION OF 13 FTE

Question. You indicate that the Commission and OMB agree over the base staffing levels for fiscal year 1990, the deletion of the 13 staff increment provided for the 1988 election cycle and the increase of 6 FTE for enforcement in fiscal years 1989 and 1990, but you do not agree on the funds necessary to support the 251 base FTE position level. Specifically, you indicate that OMB overstates the savings from the 13 FTE position reduction and understates the cost per staff (FTE) for fiscal year 1989. Would you please describe how OMB overstates the savings from the reduction of 13 FTE positions and understates the cost per FTE staff?

Answer. The cost of the 13 additional FTE from fiscal year 1988 and 1989, in fiscal year 1990 dollars, is about $285,000. This is based on the actual cost of these entry level GS-5, 7, or 9 positions. The OMB however, attempted only to estimate the savings by using the average salary for the Commission, which is in the mid GS-11 range. OMB further compounded the problem by using our planned salary costs for 264 FTE in fiscal year 1989, even though we only planned on 258 FTE. As a result, they deducted over $440,000 in personnel costs to account for the 13 FTE reduction, over $150,000 more than the actual savings.

The fallacy of OMB's position is pointed out by the fact that they show *average* salary costs declining from fiscal year 1989 to fiscal year 1990, despite pay increases, health insurance increases, and the fact that the *average* salary in reality will increase due to the loss of 13 low level employees (GS-5, 7, 9.). Given the loss of 13 lower level employees, the *average* cost per employee will obviously increase from fiscal year 1989 to 1990, the other cost increases aside. These other increases further drive up *average* salaries and benefits.

DATA ENTRY

Question. Despite the fact that the Commission is requesting a supplemental appropriation in fiscal year 1989 to cover unanticipated costs increases, the budget justification indicates that the Commission is determined to initiate the $200 to $500 data entry project in fiscal year 1989. Although the funding requirement is relatively small ($7,000). Why is this project being initiated at the time when the Commission is facing other mandatory cost increases?

Answer. The Commission is currently entering the $200 to $500 contributions on 1990 election cycle reports being filed. Thus far, the number of reports (and contributions) is small, and the cost is minimal. We began this project to cover the entire 1990 election cycle in the hope that the funds would be appropriated in fiscal year 1990. If funds are not forthcoming we will cancel the effort. For the present it is a very low cost effort and it is less expensive to begin it now in the hope of receiving funding rather than retrieving old reports for a second round of data entry.

Question. The budget justification indicates that the cost per data entry transaction is 13.5 cents in fiscal year 1989 but would be 15 cents per transaction in fiscal years 1990 and 1991. Why does the costs per transaction increase from fiscal year 1989 to 1990?

Answer. The data entry contract is renewable every 12 to 18 months, and it is possible that the price will be increased by the vendor. The assumption of a small increase from 13.5 cents to 15 cents per transaction seems fairly conservative. We have had the 13.5 cents price for several years.

Question. The Commission proposes an increase of $42,500 to resume the data entry of all reported contributions by individuals of $200 to $500. Because of previous funding constraints FEC has been entering contributions of $500 or more. What has been the disadvantage of not entering contributions between $200 and $500 into the data base and why do you feel it is important to resume this activity?

Anwer. The Commission receives numerous inquiries from Congress, the press and the public regarding contributions and campaign finance. We are often asked about the effect potential legislation will have on contribution patterns. Lack of this data can be a limiting factor on our ability to respond fully to those queries. It also limits research by outside parties using our data. Finally, inclusion of such data would enhance disclosure and would assist the FEC in policing the contribution limits in the FECA.

PRESIDENTIAL FUND TAX CHECKOFF

Question. The Commission's fiscal year 1990 request includes an increase of $250,000 for the National Advertising Council to run a full scale multi-media public education program regarding the 1040 tax form checkoff for the Presidential Campaign Fund. The Commission recently notified the Congress that the Presidential Campaign Fund is running out of money due to the fact that the tax dollars flowing into the fund have declined while fund pay-outs have sharply increased. As a result, by 1996 the Fund will lack sufficient monies to fund Presidential elections unless the system is modified.

First, why is the FEC proposing a $250,000 advertising campaign to educate the American public regarding the 1040 tax form checkoff for the Presidential Campaign Fund. I would think the best way to educate the public would be to provide a better explanation of the 1040 checkoff in the IRS instructions to taxpayers. Currently, all IRS says is that the Presidential Election Campaign Fund was set up to help pay for Presidential election campaigns and you may have $1 go into the Fund by checking the "yes" box and that if you check "yes", it will not change the amount of tax you pay or the amount of refund you will receive. Since taxpayers make this decision when their taxes are prepared, wouldn't it be more appropriate to educate them more fully this way rather than to spend $250,000 on a multi-media advertising campaign?

Answer. The checkoff portion of the tax form is beyond the control of the Commission. We will, however, initiate discussions with the IRS on your suggestion. The Commission's proposal to initiate a public education program is partially a result of a suggestion from members of our oversight committees at past hearings.

Question. Why do you believe that such an advertising campaign would be successful? Perhaps the American public is already educated and is simply refusing to contribute to the Fund; do you have any reason to believe this might be the case?

Answer. There is the possibility that the public does not wish to support the program. On the other hand, the public may not know enough about the program and therefore be hesitant to contribute. Therefore, the first step in the proposal will be a survey of taxpayers for attitudes towards the checkoff and the best possible approach to take in the educational campaign.

Question. What other options might be explored to the 1040 checkoff mechanism to ensure the continued viability of the Presidential Election Campaign Fund?

Answer. Other possibilities include: increasing the check-off to two dollars; establishing a tax credit or deduction for designated contributions to the fund or simply appropriating general treasury funds. While the Commission takes no position on the merits of public funding, it is suggesting possible solutions within the context of the existing check-off program.

Question. Do you know what it is currently costing the Federal Government to administer the current checkoff program. If so, how much?

Answer. We have been informed by the IRS and Treasury that it costs $470,000 annually to administer the fund.

Question. Of the $40,500 increase requested for enhanced press office services in fiscal year 1990, how much of the increase is associated with the checkoff project?

Answer. Approximately one-third of the enhanced press operations would pay for new staff allowing senior staff to be involved with the Advertising Council program for the checkoff.

ENFORCEMENT

Question. You indicate in your testimony that FEC is now addressing the policy and enforcement consequences of the 1988 elections. You are conducting audits on candidates who received public funds for Presidential primaries, the convention committees, and on the two major party general election campaigns. How long will it take to complete these audits?

Answer. The completion of all these audits, including the general election candidates, will take until the end of fiscal year 1989. Resolution of enforcement actions arising from each of the audits normally takes the Commission into the third year after the election.

EQUIPMENT

Question. The fiscal year 1990 request includes an additional $50,000 to restore the equipment budget to normal. The justification indicates that equipment replacement was cut 50 percent in fiscal year 1989. What impact has this cut had?

Answer. The Commission is unable to continue to replace worn-out equipment on a regular, ongoing basis. The most salient example is the condition of the dybell machines which make paper copies from microfilm. The current machines are several years old, are breaking down frequently, and need replacement. As our total budget is $50,000 and one machine costs $30,000 to $40,000, we will be unable to replace them this year.

CLEARINGHOUSE PROJECTS

Question. The fiscal year 1990 request includes an additional $36,000 to restore the Clearinghouse Program to its base level. The justification indicated that research contracts were cut by 36% in fiscal year 1989. What impact has this cut had?

Answer. The cumulative effects of the 1986 Gramm-Rudman-Hollings sequester and the cuts imposed on the Clearinghouse in fiscal year 1989 have been to stop work on virtually all contracts except the Voting Systems Standards project. Attempts to revive and update studies of state campaign finance laws and state election case law have been continuously pushed back. Contracts for subjects such as absentee voting, bilingual voting procedures, contested elections, etc. have been continually deleted, delayed or cut back. The Commission reduced the normal base level from $100,000 to $64,000 in fiscal year 1989. And, our mid-year reallocations further reduce the Clearinghouse to $14,000.

The fiscal year 1990 budget request for $100,000 would restore contracts to a normal base level, and allow the Clearinghouse to undertake research in other fields than just voting systems standards. In fiscal year 1989, research on any item other than the voting systems standards has been eliminated.

INSPECTOR GENERAL ACT AMENDMENTS

Question. The fiscal year 1989 request includes $121,000 and 2 FTE positions for an Inspector General's Office at the Commission, as mandated by the Inspector General Act Amendments of 1988. The Commission's fiscal year 1989 supplemental funding request includes $52,000 and one FTE position to implement this new law.

Are the 2 FTE staff requested for fiscal year 1990 in addition to the one FTE requested for fiscal year 1989?

Answer. No, the two FTE requested for the Inspector General office in fiscal year 1990 represent two people for the full fiscal year, whereas the one FTE for fiscal year 1989 represents two people for the second half of the fiscal year. Therefore, there is no increase in the number of people committed to the Inspector General office.

Question. The FEC has indicated that it intends to transfer its existing internal audit function from the Audit Division to the new Office of Inspector General. How many FTE positions and what level of funding is currently allocated for the internal audit function of the Audit Division? Is the amount requested for the

Inspector General's Office in addition to the amount currently in your budget base for activities being transferred to the new Inspector General? If so, why?

Answer. The Audit Division internally audits areas of vulnerability on a random basis. There is more internal audit activity during off-election years when the workload of auditors permits. Because the FEC is such a small operation, this is a task that has been worked into the auditors normal schedule.

The fiscal year 1990 budget contains no allotment for internal audits at this time; it is possible that some minimal audit work would be completed in the 1990 fiscal year once the presidential audits are completed.

Question. What was the FEC's position on the Inspector General Act Amendments of 1988? Did you support the creation of an Inspector General at the FEC? If so, why? If not, why?

Answer. The Commission believes that the need for an Inspector General is, in many ways, obviated at the FEC. The Federal Election Campaign Act and Title 26 of the Internal Revenue Code already contain elaborate audit requirements for our only grant program--the public funding of presidential campaigns. Each committee is fully audited and repayments are ordered to the U.S. Treasury for any monies misspent.

The remainder of our work is only regulatory or the disclosure of data, which does not require elaborate audit review. We already have in place an elaborate internal audit process that our Audit Division conducts in our non-presidential years.

Further, the bipartisan nature of the Commission with an equal number of each major party represented on the Commission also reflects a natural balancing mechanism. The need for four votes to undertake any action precludes much of the chance for unethical secret, or wasteful actions. Given the existing balance and natural checks inherent in our mission and structure, the benefits of a powerful, independent participant who could disturb the bipartisan balance is somewhat in doubt.

SUBCOMMITTEE RECESS

Senator DeConcini. The subcommittee is going to stand in recess until 9:30 a.m. on Friday, April 14.

At that time we will take testimony from the Office of Federal Procurement Policy, and from the Office of Management and Budget.

Thank you very much.

[Whereupon, at 11 a.m., Wednesday, April 12, the subcommittee was recessed, to reconvene at 9:30 a.m., Friday, April 14.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

TUESDAY, APRIL 18, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senator DeConcini.

OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF CONSTANCE HORNER, DIRECTOR

ACCOMPANIED BY:
- JEAN BARBER, ASSOCIATE DIRECTOR FOR RETIREMENT AND INSURANCE
- CLAUDIA COOLEY, ASSOCIATE DIRECTOR FOR PERSONNEL SYSTEMS AND OVERSIGHT

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service, and General Government will come to order.

Today, we will continue our fiscal year 1990 budget hearings by taking testimony from Constance Horner, Director of the Office of Personnel Management, and Allan Burman, Acting Administrator of the Office of Federal Procurement Policy.

We are very happy to have you back here, Mrs. Horner, and we thank you for adjusting your schedule to accommodate us. As you know, OMB had a big meeting at the White House today with other agencies, and other people had to shift.

So, I am most appreciative that you could find the time so that we could get some of the hearings accomplished.

As we will start today's hearings with your office, we assure you that your full statement will be put in the record, and we ask that you summarize it for us.

I want the record to reflect your fine work and the excellent relationship that we have enjoyed with you. This subcommittee has had some tough decisions to face with your office, regarding different regulations, insurance, drug testing, and many other things, and you have always been willing to work with us. Although we have not always agreed, I appreciate that.

You came to OPM at a time when OPM was experiencing a very rocky relationship with Federal employees and with the Congress. You brought stability to the agency at a time when it was desperately needed, and you worked hard to develop a very comprehensive and cooperative working relationship with the Congress and with Federal employees.

We appreciate those efforts. Not that everything is just perfect, I do not think it ever will be, but I want to thank you for the extra effort that you have given on many of these difficult issues.

We know you will excel in your new position at the Department of Health and Human Services, and we wish you every success there.

You may proceed with a summary of your statement.

STATEMENT OF CONSTANCE HORNER

Mrs. HORNER. Thank you very much, Mr. Chairman.

If I may say, first, it has been a great pleasure to work with you and with your committee. The accomplishments that I have been able to bring about I owe to the tremendous support that I have gotten from the OPM staff, and also, the support from you and your committee and the committee's staff, with whom I think we have had an extremely productive and professional working relationship.

This is my last appearance before this committee in this position, and I just want to take the opportunity to say that I am deeply grateful to you and the other members, and your staff, for the kind of support you have shown and the kind of intelligent conversations we have been able to have, which I think have been the conversations of good citizens with one another, and I thank you for that.

BUDGET PROPOSALS

I would like to preface my remarks today by mentioning that, as you know, the President and the joint congressional leadership have now reached a bipartisan budget agreement for fiscal year 1990. The effects of this agreement on our program areas are not yet entirely clear, and will be worked out during the reconciliation process.

The following discussion of our budget proposals is based on President Bush's original budget and the administration fully recognizes that these proposals will be substantially modified as a result of the bipartisan budget agreement.

As I am sure you are aware, OPM is submitting to the Congress legislative proposals designed to make some important changes in Federal employee pay and benefits programs.

If I may, I would like to begin by briefly reviewing those initiatives, and then I will turn very briefly to OPM's own budget.

We have submitted legislation to change the method of computing contributions toward premiums under the Federal Employees Health Benefits Program by changing to a weighted average approach that reflects the premiums of all plans in the program, and the distribution of enrollees among those plans.

Of particular interest to the subcommittee is the second feature of the proposal, requiring the Postal Service and the District of Columbia government to pay the Government contributions toward health benefits coverage for their annuitants and survivors.

In the area of Federal pay, we have submitted a proposal to address the annual problem of adjusting blue collar pay when there is a limitation or delay in white collar pay through the alternative pay plan.

The administration's budget deals with a number of retirement issues, including a revised method of computing cost-of-living adjustments, a deletion of the fiscal year 1990 cost-of-living adjustment, and, finally, a requirement that the Postal Service and the District of Columbia government pay fully for the cost of living adjustments in retirement benefits for their annuitants.

OPM APPROPRIATIONS REQUEST

Briefly, I would like to turn to the appropriations request for OPM itself. We are asking for a salaries and expenses appropriation of $113.7 million.

This request includes increases in a number of program areas. First, more than $1.4 million will be used to support and enhance interagency research and demonstration efforts, to develop new approaches to white collar pay, and manage the expanding special rate program, and to improve monitoring of those personnel functions which have been delegated to agencies.

An additional $650,000 will be devoted to further automation of test scoring and job information.

Finally, an increase of nearly $3.5 million reflects OPM's assumption of responsibility for funding Federal executive boards in 26 major metropolitan areas nationwide.

For our administration of the retirement and insurance programs, we are requesting an expense limitation of $81.9 million, including $11.8 million for our continuing startup costs for the new recordkeeping system for the Federal Employees Retirement System.

The OPM appropriation also includes payments for the Governmentwide Employee Benefit Programs. We are asking for $3.8 billion to pay the Government's share of the cost of health benefits for annuitants.

When the current life insurance program was enacted in 1980, it provided that beginning in 1990 retiring employees would continue to contribute the employees' share of their regular life insurance coverage until age 65. Since retirees have no employing agency, the Government's share will have to be provided by an appropriation to OPM similar to the appropriation for annuitants' health benefits. The amount we are requesting for fiscal year 1990 is $2.7 million.

For the Civil Service Retirement Fund, we are requesting an appropriation of $5.2 billion in current authority. This payment, which is required under the financing system established in 1969, represents amortized payments over a 30-year cycle for the retirement costs attributable to pay increases and benefit liberalizations.

GENERAL PROVISION

Finally, there is an aspect of the Treasury, Postal Service, and General Government Appropriations measure for fiscal year 1989 that merits special attention. That is the provision granting the President the authority to establish higher pay rates for positions that are hard to fill for reasons other than private sector pay competition. This provision has already been extremely helpful in addressing some of the Government's recruitment and retention problems. Since this expanded authority has been provided for only 1 fiscal year at a time, we strongly urge that it be extended for the next fiscal year.

PREPARED STATEMENT

Thank you very much, Mr. Chairman. I would be happy to answer any questions you may have.

[The statement follows:]

STATEMENT OF CONSTANCE HORNER

Mr. Chairman and members of the subcommittee: Thank you for inviting me to appear this morning to discuss the President's request for appropriations for the Office of Personnel Management for fiscal year 1990. As requested by the subcommittee, there will be a separate statement for our Inspector General's Office on that office's appropriations request.

As I'm sure you are aware, OPM is submitting to the Congress legislative proposals designed to make important changes in Federal employee pay and benefits programs. If I may, I would like to begin by briefly reviewing those initiatives, before turning to OPM's own budget.

I would like to preface my remarks by mentioning that, as you know, the President and the joint congressional leadership have now reached a bipartisan budget agreement for fiscal year 1990. The effects of this agreement on our program areas are not yet clear, and will be worked out during the reconciliation process. The following discussion of our budget proposals is based on President Bush's original budget, and the administration fully recognizes that these proposals will be substantially modified as a result of the bipartisan budget agreement.

First, we have submitted legislation to change the method of computing contributions toward premiums under the Federal employees health benefits program. The current formula was established in 1970, at a time when only about one-seventh as many plans participated in the program and when a majority of enrollees were in the high options of a handful of the largest plans. By changing to a weighted average approach that reflects the premiums of all plans in the program and the distribution of enrollees among those plans, our proposal will make the program reflect current realities.

Of particular interest to the subcommittee is the second feature of the proposal, requiring the Postal Service and the District of Columbia government to pay the Government contributions toward health benefits coverage for their annuitants and their survivors. This would not only eliminate a hidden subsidy to these entities, but would also complete an action Congress began in 1986, when the Postal Service was required to pay for health benefits of postal employees retiring after October 1986.

In the area of Federal pay, we have submitted a proposal to address an annual problem. In recent years, Congress has consistently provided that limitations and delays of white collar pay adjustments through alternative plans should be extended to apply to Federal blue-collar workers as well, but this has required separate action by Congress each year. To deal with this situation, our legislative proposal would require OPM to take the necessary administrative actions to extend an alternative plan to blue-collar workers. This would ensure equitable treatment of all Federal employees every year without requiring new legislation on each occasion.

The administration's budget deals with a number of retirement issues. First, despite the fact that very few private pensions are fully and automatically adjusted for inflation, annual cost-of-living adjustments under the Civil Service Retirement System continue to be linked to the total change in the Consumer Price Index. In order to provide consistency and equity within the Federal service, the budget would revise the method of computing cost-of-living adjustments under that older system to conform with the "CPI-minus-one" formula used in the newer Federal Employees' Retirement System established just a few years ago.

In addition, the budget proposes to delete the fiscal year 1990 cost-of-living adjustment provided by retirement systems for Federal employees. This is an essential part of the administration's deficit reduction efforts.

The budget proposal would also require the Postal Service and the D.C. government to pay fully for the cost-of-living adjustments in retirement benefits for their annuitants. By mandating these additional contributions, the budget would ensure that the costs of retirement benefits are paid by the entities whose employees receive these benefits.

Finally, the budget proposes to remove from the old and new retirement systems provisions which permit employees to withdraw all of their contributions to the systems in a lump sum at the time of retirement. Elimination of these costly provisions would save more than $2 billion in fiscal year 1990 alone, but would not reduce the lifetime value of annuitant pension benefits.

Now I would like to turn to the appropriations request for OPM itself. We are asking for a salaries and expenses appropriation of $113.7 million. This request includes increases in a number of program areas. First, more than $1.4 million will be used to support and enhance interagency research and demonstration efforts, to develop new approaches to white-collar pay and manage the expanding special rate program, and to improve monitoring of those personnel functions which have been delegated to agencies. An additional $650 thousand will be devoted to further automation of test scoring and job information. Finally, an increase of nearly $3.5 million reflects OPM's assumption of responsibility for funding Federal executive boards in 26 major metropolitan areas nationwide.

For our administration of the retirement and insurance programs, we are requesting an expense limitation of $81.9 million, including $11.8 million for our continuing startup costs for the new recordkeeping system for the Federal Employees' Retirement System.

The OPM appropriation also includes payments for the government-wide employee benefit programs. We are asking for $3.8 billion to pay the Government's share of the cost of health benefits for annuitants. We expect this amount to be sufficient to preclude any reduction in the general level of benefits under the program.

When the current life insurance program was enacted in 1980, it provided that beginning in 1990, retiring employees would continue to contribute the employee share of their regular life insurance coverage until age 65. Previously, this coverage was provided without additional cost. While the 1980 law contemplated that retirees and the Government would share the cost of regular life insurance in the same manner as active employees, it did not provide a mechanism for the Government to pay its share. Since retirees have no employing agency, this will have to be done by an appropriation to OPM, similar to the appropriation for annuitants' health benefits. The amount we are requesting for fiscal year 1990 is $2.7 million.

For the Civil Service Retirement Fund, we are requesting an appropriation of $5.2 billion in current authority. This payment, which is required under the financing system established in 1969 by Public Law 91-93, represents amortized payments over a 30-year cycle for the retirement costs attributable to pay increases and benefit liberalizations.

I would also like to mention a few general provisions of particular interest to OPM. One is the prohibition against payments for abortions under the Federal Employees Health Benefits Program. The administration strongly supports the continuation of this bar. Another provision which we strongly support is the limitation on pay increases for Federal wage employees which I mentioned earlier. Until our proposal providing for equivalent treatment of blue-collar and white collar employees is enacted, we must rely on the general provision in the appropriations bill to provide consistent treatment. We urge that this limitation, using the language in the President's budget covering all Federal blue-collar workers, be included in the 1990 bill.

Finally, there is an aspect of the Treasury, Postal Service and General Government appropriations measure for fiscal year 1989 that merits special mention. That is the provision granting the President the authority to establish higher pay rates for positions that are hard to fill for reasons other than private sector pay competition. This provision has already been extremely helpful in addressing some of the Government's recruitment and retention problems. Since this expanded authority has been provided for only one fiscal year at a time, we strongly urge that it be extended for the next fiscal year.

Thank you. I would be glad to answer any questions you may have.

COMBINED FEDERAL CAMPAIGN

Senator DECONCINI. Mrs. Horner, thank you.

I want to thank you publicly now for your cooperation on the Combined Federal Campaign. Your cooperation over the past few years really is a textbook example of how to work cooperatively and in a positive way with the legislative branch.

You and your administration were furthering a "kinder and gentler" Nation, in my opinion, by your willingness to find viable solutions.

I am going to submit a number of questions for the record regarding the Combined Federal Campaign, however, let me ask for your help in one area, if you can.

I hope you will strongly emphasize to your successor, Mrs. Horner, that the Congress has been interested in this issue for some time, and that we have, I think, achieved and come to a solution here. We have worked with Hugh Hewitt on the CFC issue in his role as general counsel and later as deputy director, and I am just urging you to mention that to your successor before you leave office. Maybe that will save us a lot of time in going through this again.

Mrs. HORNER. Thank you very much, Mr. Chairman.

I think I should also mention to her that she should get a deputy like Hugh Hewitt, if she can. [Laughter.]

Senator DECONCINI. I agree. That was very, very helpful.

EXECUTIVE SEMINAR CENTER

Senator Byrd has asked me to ask you a couple of questions for the record, and I am going to take the time to do that now.

He would like to know how much flexibility there is concerning the requirement for a 30-minute commute from a major airport in a hub city located within a 425-mile radius from the Capitol Building in Washington, DC.

Mrs. HORNER. The 425-mile radius, Mr. Chairman, and the hub city requirements are mandatory.

Senator DECONCINI. Excuse me. This is in reference to the 4th Executive——

Mrs. HORNER. Seminar.

Senator DECONCINI [continuing]. Seminar Center.

Ms. HORNER. Yes; in reference to that Seminar Center, our RFP requires a 425-mile radius, and it and the hub city requirements are mandatory.

The ground transportation time of one-half hour or less is preferred, but not mandatory. OPM will use the following criteria for rating all proposals. There are four criteria: Quality of facilities offered; environmental factors; accessibility from Washington, DC; and, organizational capabilities.

Senator DECONCINI. Well, isn't it unusual to require a site to be within a particular time distance from an airport?

Just look at—depending on the traffic in this city, the U.S. Capitol Building is often far more than a 30-minute commute from the National Airport. It is from my home too, which is only 12 miles from this building right here.

Can you explain how you arrived at this requirement, and why the requirement is not delineated in miles rather than in minutes.

Mrs. **Horner**. I imagine that the requirement is delineated in miles as a result of the need to have some uniformity in response among multitudinous sites, since the travel time may vary from time-of-year to time-of-year, time-of-day to time-of-day.

We need to have a minimal period of time because we are moving a lot of people in and out of the center and we need to be able to get them in and out in a very timely way in order to be economical in the use of the space.

Senator **DeConcini**. Well, you said it is delineated in minutes, as I understand it. Is that right?

Mrs. **Horner**. I would have to check that for you, Mr. Chairman.

Senator **DeConcini**. It seems to me—and maybe what you could also supply to us is what is involved, if anything, as to the traffic in determining what the period of time is, if it's delineated in minutes.

It seems to me that should be in the equation someplace.

Mrs. **Horner**. Also, that ground transportation time is a preferred factor, but not a mandatory one.

Senator **DeConcini**. Yes; I understand.

Mrs. **Horner**. There is some flexibility there.

[The information follows:]

Time Versus Miles

A ground transportation time of one-half hour or less is preferred, not mandatory. This factor is expressed in time rather than distance because of the fact that a short trip in a busy city may well take in excess of thirty minutes. If we were to express this factor in terms of miles, it might not be a generally accurate reflection of how long it usually takes to get from the airport to the property. Time is extremely important because of OPM's desire to have speakers, the majority of whom are based in Washington, D.C., be able to fly into the center and return to Washington, D.C., in a single day.

AWARDING OF CONTRACT

Senator **DeConcini**. Do you plan to award a contract before you leave office, or will you leave this to your successor?

Mrs. **Horner**. Well, Mr. Chairman, the proposed date for awarding the contract is on or about May 30, 1989. It's difficult to know who will make that decision, since my successor and I are both dependent upon the Senatorial confirmation hearing process and voting time right now.

So we cannot be certain who will make that decision. Oh, excuse me. I apologize, Mr. Chairman. It is June 30, not May 30, is the date for awarding the contract, and I would imagine that both my successor and I will be confirmed by that period, and, therefore, she would——

Senator **DeConcini**. It will not be made before then, as far as you know?

Mrs. **Horner**. As far as I know.

Senator **DeConcini**. You do not intend to make it before then?

Mrs. **Horner**. No, Mr. Chairman; I do not.

Senator **DeConcini**. Only if you are still there would you then make it, is that right?

Mrs. **Horner**. Yes, sir.

Senator **DeConcini**. Very good. Thank you.

FERS RECORDKEEPING SYSTEM

Your 1989 supplemental appropriation request of the President includes a provision to authorize the Office of Personnel Management to obligate $7 million for costs incurred to implement the recordkeeping system of the Federal Employees' Retirement System.

Now, I assume you need this language to permit you to carry these funds forward into fiscal year 1990. How much of the $7 million do you plan to obligate this year?

Mrs. **Horner**. Mr. Chairman, I have with me today Jean Barber, our Associate Director for Retirement and Insurance, and I would like to ask her to respond to your question, and to note that I also have with me Claudia Cooley, Associate Director for Personnel Systems and Oversight, and other staff available.

Senator **DeConcini**. That will be fine.

Ms. **Barber**. Sir, we are not sure at this moment how much of it we will be able to obligate. We are in the penultimate stages of getting our request for proposals ready to publish.

It is conceivable that we would be able to go through the competitive process by the end of the fiscal year and make some obligations of that money.

It is also possible that it will fall over into the next fiscal year. The reason that we are asking that this money be carried forward is that we do not want the timing of the availability of the money to determine what is obligated, which tasks are to be done, but, rather, we want to obligate the money on a logical basis and have it driven by the logic of the project and not by the fiscal year availability of the dollars available.

Senator **DeConcini**. You have it in the 1989 appropriation?

Ms. **Barber**. We have it in the 1989 appropriation.

Senator **DeConcini**. Why do you need to carry it forward then?

Ms. **Barber**. We need to carry it forward so that we can spend it next year if the contract is not awarded by the end of this year, but in the next year.

Senator **DeConcini**. I see. But you did not request it in your budget request; why not?

Ms. **Barber**. We did not request it in our budget request? I think we did, sir.

Senator **DeConcini**. Why did you ask for it in 1989 if you were not going to spend it?

Ms. **Barber**. We asked for it in 1989 because at that time we had hopes of a more accelerated procurement process than we have been——

Senator **DeConcini**. You thought you were going to spend it.

Ms. **Barber**. Yes; we thought we would—I am still not sure we won't. It will be close.

Senator **DeConcini**. Have you spent any of it?

Ms. **Barber**. We have not awarded the contract yet; no. We have spent some money internally with our own staff, but the major part of that money is to pay for the development of a system through the award of a contract, and that contract has not been awarded.

Senator **DeConcini**. When are you likely to award that, Ms. Barber?

Ms. **Barber**. The request for proposals should go out within the next 60 days, and it is possible that by September 30, we would be in a position to award. I think that is optimistic. I think it is more likely that it will go over into the early part of the next fiscal year.

SPECIAL PAY RATES

Senator **DeConcini**. Let me ask you, Mrs. Horner, about the special rates.

As you know, many different initiatives have been undertaken to study pay reform for the Federal workforce. Closing the pay comparability gap with the private sector, in addition to the concept of locality-based pay and high-cost-of-living areas are two of the most significant issues in this area.

While you are contemplating comprehensive reform of the Federal pay structure, you have been exercising your existing authority to grant special rates to provide immediate relief in special cases.

How many special pay rates have been approved to date?

Mrs. **Horner**. Mr. Chairman, about 10 percent of the title 5 workforce, approximately 152,000 positions, were covered under 164 special rate authorizations at the end of fiscal year 1988.

Over 35 of those authorizations covered Federal police officers, Deputy U.S. Marshals, correctional officers, Secret Service Uniformed Division, U.S. Park Police, and border patrol agents.

Senator **DeConcini**. Can you provide us with a list of agencies?

Mrs. **Horner**. Yes; Mr. Chairman.

Senator **DeConcini**. And the rates for each agency, please.

Mrs. **Horner**. I would be happy to do that.

[The information follows:]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
001	GS-0649 MED MACH TECH	ANCHORAGE AK	INDIAN HEALTH SVC	5	19029	23655	514	01/01/89	R
				6	20066	25232	574		
				7	21639	27392	637		
				8	22578	28932	706		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.]								
002	GS-0083 POLICE OFFICER	FORT ORD CA	ARMY	4	17932	22072	460	01/01/89	R
		PRES OF MONTERY		5	20058	24684	514		
				6	21213	26379	574		
				7	22296	28029	637		
				8	23990	30344	706		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.]								
003	GS-1980 AG COMMOD GRD	NEW YORK CY NY	AGRICULTURE DEPT	5	18515	23141	514	01/01/89	R
				7	22296	28029	637		
				9	26498	33518	780		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.] [RESTRICTED TO FRESH FRUIT AND VEGETABLE GRADERS ONLY]								
004	GS-1550 COMP SCIENTIST	WARMINSTER PA	NAVY	5	20058	24684	514	01/01/89	R
				7	24845	30578	637		
				9	28127	34967	760		
				11	30356	38636	920		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.]								
005	GS-0660 PHARMACIST	FT ORD CA	ARMY SILAS HAYES HOS	9	30396	37416	780	01/01/89	R
				11	33945	42432	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.]								
006	GS-0083 POLICE OFFICER	PORTSMTH SYD ME	NAVY	4	16412	20633	469	04/09/89	N
				5	17838	22563	525		
				6	19297	24562	585		
				7	20793	26643	650		
007	GS-0651 RESPIRATRY THER	WASH DC MSA	ARMY WALT REED MDCTR US SOLDIERS/ARMS HM	7	21022	26755	637	01/01/89	R
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.]								
008	GS-0647 DIAG RAD TEC	AURORA CO	ARMY FITZSIM MEDCTR	5	18478	23104	514	01/01/89	R
				6	20039	25205	574		
				7	21028	26761	637		
				8	21919	28273	706		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED.EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
010	GS-0322 CLERK TYPIST	S SF BAY CA	AGRICULTURE DEPT	2	14169	17436	363	01/01/89	R
	GS-0336 DATA TRANSCRIBE		AIR FORCE	3	15960	19649	409		
	GS-0318 SECRETARY		ARMY	4	17472	21612	460		
	GS-XXXX (TYPING)		DEF CONTR AUDIT AGCY	5	18515	23141	514		
	GS-XXXX (STENOGRAPHY)		DEFENSE LOGISTICS AG	6	19493	24659	574		
	GS-XXXX (DATA TRANSCRI)		DEFENSE INVESTIG SVC	7	20385	26118	637		
			EQ EMPL OPP COMMISSI						
			JUSTICE DEPT						
			NASA						
			NAVY						
			TREASURY DEPT						
			TRANSPORTATION DEPT						
			U.S. GEOLOGICAL SURV						
			VETERANS ADMIN						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS]								
	[INCREASED, EFFECTIVE 01/01/89. COVERS AREA WITHIN BOUNDARIES]								
	[OF COYOTE, MENLO PARK, MOFFETT NAVAL A.S., MORGAN HILL,]								
	[MOUNTAIN VIEW, PALO ALTO, REDWOOD CITY, SAN JOSE, SANTA]								
	[CLARA, SUNNYVALE AND UNION CITY.]								
011	GS-0081 FIREFIGHTER	CLEAR AFB AK	AIR FORCE	4	17012	21152	460	01/01/89	R
				5	18001	22627	514		
				6	18346	23512	574		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]								
	[WAS INCREASED,EFFECTIVE 01/01/89.]								
012	GS-0312 CLERK STENO	NEW YORK CY NY	ACTION	2	14169	17436	363	01/01/89	R
	GS-0322 CLERK TYPIST		AGRICULTURE DEPT	3	15559	19240	409		
	GS-0336 DATA TRANSCRIBE		AIR FORCE	4	16552	20692	460		
	GS-XXXX (TYPING)		ARMY	5	17487	22113	514		
	GS-XXXX (STENOGRAPHY)		COMMERCE DEPT	6	18346	23512	574		
	GS-XXXX (DATA TRANSCRI)		CONSUM PROD SFTY COM						
			COMMOD FUT TRD COMMI						
			DEFENSE AGENCIES						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			FED COMMUNIC COMM						
			FED LABOR REL AUTH						
			FED MARITIME COMM						
			FED EMERG MGMT AGCY						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			NASA						
			NAVY						
			NAT LABOR REL BD						
			OFFICE PERSONNEL MGT						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			SEC & EXCHANGE COMM						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			COMPT OF CURRENCY						
			FDIC						
			FED TRADE COMM						
			FED MED & CONCIL SVC						
			PEACE CORPS						
			US INFORMATION AGCY						
			U.S. COURTS						
			U.S. MISSION TO U.N.						
			INTERSTATE COMMERCE						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
012			FED ENERGY REG COMM RAILROAD RETMT BOARD NAT TRANSP SAFETY BD SELECTIVE SERVICE						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
013	GS-0610 NURSE	ROCHESTER MN	JUSTICE BUREAU PRIS	5	19938	24663	525	01/01/89	R
				7	24693	30543	650		
				9	29411	36566	795		
				11	31738	40396	962		
	[THIS AUTHORIZATION INCREASES AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89.]								
014	GS-0660 PHARMACIST	AURORA CO	ARMY FITZSIM MEDCTR	9	30396	37416	780	01/01/89	R
				11	33002	41489	943		
				12	36163	46342	1131		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
015	GS-0660 PHARMACIST	FT KNOX KY	ARMY	9	28837	35857	780	01/01/89	R
				11	31115	39602	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
016	GS-0660 PHARMACIST	CARLISLE PA	ARMY CARLISLE BARRKS	9	31001	38156	795	02/09/89	N
				11	37510	46168	962		
017	GS-0332 COMPUTER OPER	DALS/FT WRTH TX	AIR FORCE	5	16263	20988	525	01/01/89	R
			ARMY	6	18127	23392	585		
			DEFENSE LOGISTICS AG	7	20793	26643	650		
			HEALTH & HUMAN SVCS	8	23030	29510	720		
			JUSTICE DEPT	9	25436	32591	795		
			NAVY	10	27136	35011	875		
			TREASURY DEPT						
			VETERANS ADMIN						
			DEFENSE AGENCIES						
			GEN SERVICES ADM						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
018	GS-0610 NURSE CLINICAL	FT GORDON GA	ARMY	9	24968	31781	757	01/01/89	R
	[INCREASED GS-9 BY 4.1% FOR THE 1988 ANNUAL REVIEW.] [TERMINATED GRADE GS-10, 1-1-88.]								
019	GS-0660 PHARMACIST	FT GORDON GA	ARMY	9	30206	37361	795	01/01/89	R
				11	34624	43282	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
022	GS-0083 POLICE OFFICER	CHINA LAKE CA	NAVY	2	14169	17436	363	01/01/89	R
				3	15968	19649	409		
				4	17932	22072	460		
				5	19596	24222	514		
				6	20628	25794	574		
				7	21679	27412	637		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
023	GS-0134 INTELL AID/CLK	EASTERN MA	ACTION	2	14169	17436	363	01/01/89	R
	GS-0203 PERS CLK & ASST		AGRICULTURE DEPT	3	15150	18831	409		
	GS-0204 MIL PER CLK/TCN		COMMERCE DEPT	4	16092	20232	460		
	GS-0302 MESSENGER		DEFENSE DEPT	5	16972	21598	514		
	GS-0303 MISC CLK & ASST		EDUCATION DEPT	6	18712	23977	585		
	GS-0304 INF RECEPTIONST		ENERGY DEPT	7	20143	25993	650		
	GS-0305 MAIL & FILE CLK		ENVIRON PROTECT AGCY	8	22310	28790	720		
	GS-0312 CLERK STENO		EQ EMPL OPP COMMISSI						
	GS-0318 SECRETARY		FED COMMUNIC COMM						
	GS-0319 CLOSED MICR RPT		FED ENERG MGMT AGCY						
	GS-0322 CLERK TYPIST		FED TRADE COMM						
	GS-0335 COMPUTER CLERK		GEN SERVICES ADM						
	GS-0344 MGMT CLK & ASST		HEALTH & HUMAN SVCS						
	GS-0350 EQUIPMENT OPER		HOUSING & URBAN DEV						
	GS-0351 PRINTING CLK		INTERSTATE COMMERCE						
	GS-0356 DATA TRANSCRIBE		INTERIOR DEPT						
	GS-0359 EL ACCT MACH OP		JUSTICE DEPT						
	GS-0382 TELEPHONE OPER		LABOR DEPT						
	GS-0392 DATA COM EQP OP		NAT ARCHIVES & RCDS						
	GS-0394 COMMUNIC CLK		MERIT SYST PROT BD						
	GS-0503 FINANCL CLK AST		NAT LABOR REL BD						
	GS-0530 CASH PROCESSING		NAT CRED UN ADMIN						
	GS-0332 COMPUTER OPER		OFFICE PERSONNEL MGT						
	GS-0525 ACCOUNTING TECH		STATE DEPT						
	GS-0540 VOUCHER EXAMNR		SMITHSONIAN INST						
	GS-0544 PAYROLL		SMALL BUSINESS ADM						
	GS-0561 BUDGET CLK/ASST		SEC & EXCHANGE COMM						
	GS-0590 TIME & LEAVE		TRANSPORTATION DEPT						
	GS-0592 TAX EXAMINER		TREASURY DEPT						
	GS-0675 MED REC TEC		RAILROAD RETMT BOARD						
	GS-0679 MEDICAL CLERK		VETERANS ADMIN						
	GS-0963 LEGAL INST EXMR		OCC SAF & HLT REV CM						
	GS-0986 LEGAL CLK/TECHN		FED LABOR REL AUTH						
	GS-0998 CLAIMS CLERK								
	GS-1087 EDITORIAL ASST								
	GS-1101 GEN BUS & IND								
	GS-1105 PURCHASER								
	GS-1106 PROCMT CLK/ASST								
	GS-1152 PRODUCTION CONT								
	GS-1411 LIBRARY TECHN								
	GS-1421 ARCHIVES TECHN								
	GS-2005 SUPPLY CLK/TECH								
	GS-2091 SALES STORE CLK								
	GS-2102 TRANSP CLK/ASST								
	GS-2131 FREIGHT RATE								
	GS-2134 SHIPMENT CLERK								
	GS-0029 ENV PROTECT ASS								
	GS-0086 SECURITY CK/AST								
	GS-0072 FINGERPRINT ID								
	GS-0309 CORRESP CLERK								
	GS-0357 CODER								
	GS-0385 TELETYPIST								
	GS-0388 CRYPT EQUIP OPE								
	GS-0390 COMM RELAY OPRT								
	GS-0545 MILITARY PAY								
	GS-0593 INSURANCE ACCT								
	GS-1001 GEN ARTS & INF								
	GS-1046 LANGUAGE CLERK								
	GS-1107 PROPTY DISP CLK								
	GS-1531 STATISTCL ASST								
	GS-1802 COMPLIANCE INSP								
	GS-1897 CUSTOMS AID								
	GS-2132 TRAVEL								
	GS-2151 DISPATCHER								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE	AUTHORIZATION COVERS:				1ST	10TH	WITHIN		
NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	STEP RATE	STEP RATE	GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	GS-0675 MED REC TEC(TNR								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	GS-XXXX (DATA TRANSCRI)								
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS]								
	[INCREASED,EFFECTIVE 01/01/89. COUNTIES COVERED ARE PLYMOUTH,]								
	[ESSEX, MIDDLESEX, NORFOLK, SUFFOLK AND WORCESTER.]								
024	GS-0312 CLERK STENO	GTR SF BAY CA	ACTION	2	13758	16935	353	01/01/89	R
	GS-0318 SECRETARY		AGRICULTURE DEPT	3	15507	19089	398		
	GS-0322 CLERK TYPIST		COMMERCE DEPT	4	16515	20538	447		
	GS-0356 DATA TRANSCRIBE		CONSUM PROD SFTY COM	5	17478	21978	500		
	GS-XXXX (TYPING)		DEFENSE DEPT	6	18368	23381	557		
	GS-XXXX (STENOGRAPHY)		ENERGY DEPT						
	GS-XXXX (DATA TRANSCRI)		EDUCATION DEPT						
			EQ EMPL OPP COMMISSI						
			ENVIRON PROTECT AGCY						
			FED COMMUNIC COMM						
			FED LABOR REL AUTH						
			FED ENERGY REG COMM						
			GEN SERVICES ADM						
			FED EMERG MGMT AGCY						
			FED MARITIME COMM						
			FED TRADE COMM						
			INTERSTATE COMMERCE						
			INTERIOR DEPT						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			JUSTICE DEPT						
			LABOR DEPT						
			NAT LABOR REL BD						
			MERIT SYST PROT BD						
			NAT CRED UN ADMIN						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			SMALL BUSINESS ADM						
			STATE DEPT						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			MSPB SPEC COUNSEL						
			NAT ARCHIVES & RCDS						
			SELECTIVE SERVICE						
			FED MED & CONCIL SVC						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS]								
	[INCREASED,EFFECTIVE 01/01/89. COVERS ALAMEDA, CONTRA COSTA,]								
	[MARIN, SAN FRANCISCO, SAN MATEO, SANTA CLARA & SOLANO]								
	[COUNTIES, EXLUDING ALL AREAS NOW COVERED BY TABLE 0010 AND]								
	[NAPA COUNTY FOR DEPTS OF INTERIOR AND HHS.]								
026	GS-0083 POLICE OFFICER	BOULDER CITY NV	INT BUR RECLAMATION	5	18407	23033	514	01/01/89	R
				6	19953	25119	574		
				7	21534	27384	650		
	[GRADES 5 AND 6 RECEIVED A 4.1% INCREASE AND GRADE 7 WILL]								
	[RECEIVE A 15% INCREASE EFFECTIVE 1/1/89.]								
027	GS-0660 PHARMACIST	FT DRUM NY	ARMY	9	31001	38156	795	01/01/89	R
		SENECA AD NY		10	34136	42011	875		
		WATERVLIET NY		11	37510	46168	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]								
	[WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
028	GS-0660 PHARMACIST	FT STEWART GA	ARMY WINN COM HOSP	9	30396	37416	780	01/01/89	R
				11	33945	42432	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
029	GS-0312 CLERK STENO	DAHLGREN VA	ACTION	2	14085	17424	371	01/01/89	R
	GS-0322 CLERK TYPIST	VINT HL FARM VA	ADMIN CONF OF U.S.	3	15039	18801	418		
	GS-0356 DATA TRANSCRIBE	WASH DC MSA	AFRICAN DEVEL FOUNDN	4	15943	20164	469		
	GS-XXXX (TYPING)		AGRICULTURE DEPT	5	17313	22038	525		
	GS-XXXX (STENOGRAPHY)		AIR FORCE	6	18712	23977	585		
	GS-XXXX (DATA TRANSCRI)		AM BATTLE MONUM COMM	7	20143	25993	650		
			ARMY						
			COMM OF FINE ARTS						
			COMM ON CIVIL RIGHTS						
			COMM PURCH HANDICAP						
			COMMERCE DEPT						
			COMMOD FUT TRD COMMI						
			COMPT OF CURRENCY						
			CONSUM PROD SFTY COM						
			DEFENSE AGENCIES						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXPORT-IMPORT BANK						
			FARM CREDIT ADMIN						
			FDIC						
			FED COMMUNIC COMM						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MARITIME COMM						
			FED MED & CONCIL SVC						
			FED MINE SAFETY COMM						
			FED RET THRIFT INVES						
			FED TRADE COMM						
			FEDERAL AVIATION ADM						
			FEDERAL RAILROAD ADM						
			GEN SERVICES ADM						
			GENERAL ACCTG OFFICE						
			GOVT PRINTING OFFICE						
			HARRY S TRUMAN SCHSP						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTER-AMERICAN FND						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			MSPB SPEC COUNSEL						
			NASA						
			NAT ARCHIVES & RCDS						
			ARCH/TRANS BARRIERS						
			ARMS CTL & DISARM AG						
			NAT CAP PLAN COMM						
			NAT COMM LIBR/INF SC						
			NAT CRED UN ADMIN						
			NAT FND ARTS & HUMAN						
			NAT GUARD BUREAU						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT SECURITY COUNCIL						
			NAT TRANSP SAFETY BD						
			NATL MEDIATION BOARD						
			NAVY						
			OCC SAF & HLT REV CM						
			OFC US TRADE REP						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENN AVE DEVEL CORP						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
			PENSION BENFT GURNTE						
			RAILROAD RETNT BOARD						
			SEC & EXCHANGE COMM						
			SELECTIVE SERVICE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			US AGENCY INTL DEV						
			US HOLOCAUST MEMORIA						
			US INFORMATION AGCY						
			US INTNL TRADE COMM						
			US SOLDIERS/AMNS HM						
			US TAX COURT						
			VETERANS ADMIN						
			NUCLEAR REG COMM						
			BOARD FOR INTL BRCAS						
			OVERSEAS PRIV INV CP						
			PANAMA CANAL COMM						
			VOICE OF AMERICA						
			EXEC. OFF. PRESIDENT						
			NAT ENDOWMNT FOR ARTS						
			NAT SECURITY AGENCY						
			NAT GALLERY OF ART						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS]
[INCREASED, EFFECTIVE 01/01/89.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
030	GS-0648 THER RAD TEC	FAIRFIELD CA	TRAVIS AFB	5	18096	22272	464	01/01/89	R
				6	19134	23787	517		
				7	21647	27209	618		
				8	23973	30138	685		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
031	GS-0690 IND HYGIENIST	SF/OAK CA PMSA	GEN SERVICES ADM	5	18001	22627	514	01/01/89	R
			LABOR DEPT	7	21659	27392	637		
			NAVY	9	26498	33518	780		
			ARMY	11	30172	38659	943		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89. THIS AUTHORIZATION IS]
[RESTRICTED TO ARMY AND NAVY IN VALLEJO, CONCORD AND MOFFET]
[FIELD.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
032	GS-1529 MATH STATISTICN	WASH DC MSA	AGRICULTURE DEPT	5	19477	23977	500	01/01/89	R
			COMMERCE DEPT	7	22265	27827	618		
			DEFENSE DEPT	9	27239	34052	757		
			EDUCATION DEPT	11	31123	39358	915		
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			INTERIOR DEPT						
			LABOR DEPT						
			TRANSPORTATION DEPT						
			TREASURY						
			VETERANS ADMIN						
			GOVT PRINTING OFFICE						
			PENSION BENFT GURNTE						
			HEALTH & HUMAN SVCS						
			JUSTICE DEPT						
			OFFICE MGMT & BUDGT						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
033	GS-0303 MISC CLK & ASST	NASHUA NH	DEF CONTR AUDIT AGCY	3	13518	17100	398	01/01/89	R
	GS-0312 CLERK STENO		DEFENSE LOGISTICS AG	4	15176	19199	447		
	GS-0318 SECRETARY			5	16577	21563	554		
	GS-0322 CLERK TYPIST								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. ON SITE OF SANDERS] [ASSOCIATES ONLY.]								
034	GS-0303 MISC CLK & ASST	SCHENECTADY NY	DEF CONTR AUDIT AGCY	3	13121	16703	398	01/01/89	R
	GS-0322 CLERK TYPIST	PITTSFIELD MA	ENERGY DEPT	4	14729	18752	447		
	GS-0312 CLERK STENO	WEST MILTON NY	DEFENSE LOGISTICS AG	5	16479	20979	500		
	GS-0318 SECRETARY			6	18368	23381	557		
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. ON SITE OF THE GENERAL] [ELECTRIC COMPANY ONLY.]								
035	GS-0303 MISC CLK & ASST	BATH ME	DEF CONTR AUDIT AGCY	3	13121	16703	398	01/01/89	R
	GS-0322 CLERK TYPIST	BATH ME	DEFENSE LOGISTICS AG	4	14729	18752	447		
				5	16979	21479	500		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. ON SITE OF BATH IRON] [WORKS.]								
036	GS-0303 MISC CLK & ASST	LONG ISLAND NY	DEF CONTR AUDIT AGCY	3	13101	17034	437	01/01/89	R
	GS-0322 CLERK TYPIST		DEFENSE LOGISTICS AG	4	14600	18974	486		
	GS-0312 CLERK STENO		AIR FORCE	5	16468	21418	550		
	GS-0318 SECRETARY		NAVY	6	18098	23507	601		
	GS-0344 MGMT CLK & ASST								
	GS-1106 PROCMT CLK/ASST								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	GS-0335 COMPUTER CLERK								
	GS-0392 DATA COM EQP OP								
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. ON SITE OF FAIRCHILD] [REPUBLIC, THE EATON CORP., GRUMMAN AEROSPACE, SPERRY CORP.] [AND THE LONG ISLAND BRANCH OFFICE.]								
037	GS-0072 FINGERPRINT ID	CONNECTICUT	AGRICULTURE DEPT	1	11013	13494	VARIES**	01/01/89	R
	GS-0134 INTELL AID/CLK		DEFENSE DEPT	2	12216	15259	VARIES**		
	GS-0203 PERS CLK & ASST		COMMERCE DEPT	3	13513	17194	409		
	GS-0204 MIL PER CLK/TCN		GEN SERVICES ADM	4	15172	19312	460		
	GS-0302 MESSENGER		HEALTH & HUMAN SVCS	5	16972	21598	514		
	GS-0303 MISC CLK & ASST		HOUSING & URBAN DEV	6	18919	24085	574		
	GS-0304 INF RECEPTIONST		JUSTICE DEPT						
	GS-0309 CORRESP CLERK		INTERIOR DEPT						
	GS-0312 CLERK STENO		LABOR DEPT						
	GS-0318 SECRETARY		NAT LABOR REL BD						
	GS-0319 CLOSED MICR RPT		OFFICE PERSONNEL MGT						
	GS-0322 CLERK TYPIST		SMALL BUSINESS ADM						
	GS-0332 COMPUTER OPER		STATE DEPT						
	GS-0335 COMPUTER CLERK		TRANSPORTATION DEPT						
	GS-0344 MGMT CLK & ASST		TREASURY DEPT						
	GS-0350 EQUIPMENT OPER		VETERANS ADMIN						
	GS-0351 PRINTING CLK								
	GS-0356 DATA TRANSCRIBE								
	GS-0357 CODER								
	GS-0359 EL ACCT MACH OP								
	GS-0382 TELEPHONE OPER								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

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                            AUTHORIZATION COVERS:                                 1ST      10TH     WITHIN
TABLE  -----------------------------------------------------------------------    STEP     STEP     GRADE     EFFECTIV  REVIEWED
NUMBER    OCCUPATIONS          LOCATIONS          AGENCIES/ORGANIZATIONS   GRADES  RATE     RATE     INCREASE  DATE      OR NOT
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          GS-0385 TELETYPIST
          GS-0388 CRYPT EQUIP OPE
          GS-0390 COMM RELAY OPRT
          GS-0392 DATA COM EQP OP
          GS-0394 COMMUNIC CLK
          GS-0503 FINANCL CLK AST
          GS-0525 ACCOUNTING TECH
          GS-0530 CASH PROCESSING
          GS-0540 VOUCHER EXAMNR
          GS-0544 PAYROLL
          GS-0545 MILITARY PAY
          GS-0561 BUDGET CLK/ASST
          GS-0590 TIME & LEAVE
          GS-0592 TAX EXAMINER
          GS-0593 INSURANCE ACCT
          GS-0675 MED REC TEC
          GS-0679 MEDICAL CLERK
          GS-0963 LEGAL INST EXMR
          GS-0986 LEGAL CLK/TECHN
          GS-0998 CLAIMS CLERK
          GS-1001 GEN ARTS & INF
          GS-1046 LANGUAGE CLERK
          GS-1087 EDITORIAL ASST
          GS-1101 GEN BUS & IND
          GS-1105 PURCHASER
          GS-1106 PROCMT CLK/ASST
          GS-1107 PROPTY DISP CLK
          GS-1152 PRODUCTION CONT
          GS-1411 LIBRARY TECHN
          GS-1421 ARCHIVES TECHN
          GS-1531 STATISTCL ASST
          GS-1802 COMPLIANCE INSP
          GS-1897 CUSTOMS AID
          GS-2005 SUPPLY CLK/TECH
          GS-2091 SALES STORE CLK
          GS-2102 TRANSP CLK/ASST
          GS-2131 FREIGHT RATE
          GS-2132 TRAVEL
          GS-2133 PASSENGER RATE
          GS-2134 SHIPMENT CLERK
          GS-2151 DISPATCHER
          GS-0029 ENV PROTECT ASS
          GS-0086 SECURITY CK/AST
          GS-XXXX (TYPING)
          GS-XXXX (STENOGRAPHY)
          GS-XXXX (DATA TRANSCRI)
          GS-0305 MAIL & FILE CLK
        [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE        ]
        [WAS INCREASED,EFFECTIVE 01/01/89.                           ]
     ** [STEP2=11346   STEP3=11542   STEP4=11871   STEP5=12202   STEP6=12216   STEP7=12529   STEP8=12851   STEP9=13173   ]
         STEP2=12353   STEP3=12716   STEP4=13079   STEP5=13442   STEP6=13806   STEP7=14169   STEP8=14532   STEP9=14896   ]


038     GS-0651 RESP THER       SAN FRAN CMSA      NAVY REG MED CMD NW         5     19029    23655    514      01/01/89     R
                                                   ARMY LETTERMAN MDCTR        6     20066    25232    574
                                                                               7     21022    26755    637
                                                                               8     21872    28226    706
        [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE        ]
        [WAS INCREASED,EFFECTIVE 01/01/89.                           ]


039     GS-0660 PHARMACIST      WASH DC MSA        ARMY WALT REED MDCTR        9     28057    35077    780      01/01/89     R
                                                   ARMY FT BELVOIR            11     32059    40546    943
                                                   ARMY FT MEADE              12     37294    47473   1131
                                                   BETHESDA NAVAL HOSP
                                                   US SOLDIERS/AMNS HM
                                                   PUBLIC HLTH SERVICE
        [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE        ]
        [WAS INCREASED,EFFECTIVE 01/01/89.                           ]
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CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
040	GS-0660 PHARMACIST	FT BENNING GA	ARMY MARTIN COM HOSP	9	31001	38156	795	01/01/89	R
				11	37510	46168	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
041	GS-0660 PHARMACIST	FT RUCKER AL	ARMY LYSTER COM HOSP	9	29411	36566	795	01/01/89	R
				11	34624	43282	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
042	GS-0660 PHARMACIST	FT HOOD TX	ARMY DARNALL C HOSP	9	27277	34297	780	01/01/89	R
				11	32059	40546	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
043	GS-0083 POLICE OFFICER	CAPE COD MA	AF OTIS AIR NAT GD	4	16092	20232	460	01/01/89	R
				5	16972	21598	514		
				6	18346	23512	574		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
044	GS-0660 PHARMACIST	FT JACKSON SC	ARMY MONCRIEF HOSP	9	28837	35857	780	01/01/89	R
				11	32059	40546	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
045	GS-0660 PHARMACIST	FT BLISS TX	ARMY BEAUMONT MDCTR	11	34624	43282	962	04/11/89	N
				12	39192	49569	1153		
046	GS-0648 THER RAD TEC	PORTSMOUTH VA	NAVAL HOSPITAL	5	18096	22722	514	01/01/89	R
				6	19134	24300	574		
				7	20686	26419	637		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

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                      CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
                          FOR GENERAL SCHEDULE EMPLOYEES

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                              AUTHORIZATION COVERS:                                1ST     10TH    WITHIN
TABLE  ---------------------------------------------------------------------       STEP    STEP    GRADE    EFFECTIV  REVIEWED
NUMBER   OCCUPATIONS          LOCATIONS          AGENCIES/ORGANIZATIONS    GRADES  RATE    RATE    INCREASE  DATE     OR NOT
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047    GS-0312 CLERK STENO    NORTHERN NJ        AGRICULTURE DEPT            2     12716   15983   363     01/01/89     R
       GS-0318 SECRETARY      MIDDLESEX CO NJ    DEFENSE DEPT                3     14331   18012   409
       GS-0322 CLERK TYPIST   ROCKLAND CO NY     EQ EMPL OPP COMMISSI        4     15632   19772   460
       GS-0356 DATA TRANSCRIBE                   GEN SERVICES ADM            5     16458   21084   514
       GS-XXXX (TYPING)                          HEALTH & HUMAN SVCS
       GS-XXXX (STENOGRAPHY)                     HOUSING & URBAN DEV
       GS-XXXX (DATA TRANSCRI)                   INTERIOR DEPT
                                                 JUSTICE DEPT
                                                 LABOR DEPT
                                                 NAT ARCHIVES & RCDS
                                                 NAT LABOR REL BD
                                                 OFFICE PERSONNEL MGT
                                                 RAILROAD RETMT BOARD
                                                 SMALL BUSINESS ADM
                                                 TRANSPORTATION DEPT
                                                 TREASURY DEPT
                                                 VETERANS ADMIN
                                                 ENVIRON PROTECT AGCY
                                                 STATE DEPT
                                                 COMMERCE DEPT
                                                 ENERGY DEPT
     [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS    ]
     [INCREASED, EFFECTIVE 01/01/89. COUNTIES IN NEW JERSEY:      ]
     [ESSEX, UNION, SOMERSET, MORRIS, HUDSON, BERGEN, MIDDLESEX,  ]
     [AND PASSAIC.                                                ]


048    GS-2181 PILOT C141     ANDREWS AFB MD     AIR FORCE                  12     42341   52115   1086    06/05/87     N
       GS-0301 AIR COMMANDER                                                13     50346   61965   1291
                                                                            14     59488   73213   1525
                                                                            15     69976   86122   1794
     [GS/GM -2181-12/13/14 PILOT,FIXED WING/FLIGHT INSTRUCTOR/AIR-]
     [CRAFT OPERATIONS OFFICER (LIMITED TO EMPLOYEES QUALIFIED AS ]
     [PILOT ON C-141 AIRCRAFT). GS/GS-301-15 AIR COMMANDER,       ]
     [(LIMITED TO EMPLOYEE OCCUPYING THE WING/GROUP COMMANDER/SR. ]
     [AIR RESERVE TECHNICIAN POSITION [PILOT ONLY]). RATE OF BASIC]
     [PAY LIMITED TO LEVEL V OF EXECUTIVE SCHEDULE WHICH IS $72500]


049    GS-0660 PHARMACIST     FT DEVENS MA       ARMY FT DEVENS             11     32059   40546   943     01/01/89     R
     [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE        ]
     [WAS INCREASED,EFFECTIVE 01/01/89.                           ]


050    GS-0083 POLICE OFFICER FT MONMOUTH NJ     ARMY                        4     15943   20164   469     01/01/89     R
                              LAKEHURST NJ       NAVY                        5     17838   22563   525
                              NORTHERN NJ                                    6     19297   24562   585
                                                                             7     21443   27293   650
                                                                             9     24641   31796   795
     [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE        ]
     [WAS INCREASED,EFFECTIVE 01/01/89.                           ]


051    GS-0083 POLICE OFFICER BAYONNE NJ         ARMY                        5     17838   22563   525     01/01/89     R
                                                                             6     19297   24562   585
                                                                             7     21443   27293   650
                                                                             9     24641   31796   795
     [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS    ]
     [INCREASED, EFFECTIVE 01/01/89.                              ]


052    GS-0334 COMPUTER SPEC  CHICAGO IL         RAILROAD RETMT BOARD        9     27277   34297   780     01/01/89     R
                                                                            11     32059   40546   943
                                                                            12     36163   46342   1131
     [THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE        ]
     [WAS INCREASED,EFFECTIVE 01/01/89.                           ]
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CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
053	GS-0356 DATA TRANSCRIBE	HOLTSVILLE NY	TREASURY DEPT	2	14456	17795	371	02/14/89	R
				3	15875	19637	418		
				4	16881	21102	469		
				5	17838	22563	525		
				6	19882	25147	585		
				7	20793	26643	650		
				8	22310	28790	720		
054	GS-0660 PHARMACIST	FT RILEY KS	ARMY FT RILEY	9	28837	35857	780	01/01/89	R
				11	32059	40546	943		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
055	GS-0083 POLICE OFFICER	LONG BEACH CA	NAVY	4	17012	21152	460	01/01/89	R
				5	18001	22627	514		
				6	20066	25232	574		
				7	21659	27392	637		
				8	23028	29499	719		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
056	GS-0662 OPTOMETRIST	CARLISLE PA	ARMY(DUNHAM CLINIC)	11	36774	45261	943	01/01/89	R

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
057	GS-0312 CLERK STENO	DALS/FT WRTH TX	AGRICULTURE DEPT	2	13442	16709	363	01/01/89	R
	GS-0318 SECRETARY		AIR FORCE	3	14331	18012	409		
	GS-0322 CLERK TYPIST		ARMY	4	15172	19312	460		
			COMMERCE DEPT	5	16458	21084	514		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE INVESTIG SVC						
			DEFENSE LOGISTICS AG						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			FED EMERG MGMT AGCY						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			JUSTICE DEPT						
			LABOR DEPT						
			NAVY						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			NAT ARCHIVES & RCDS						
			FARM CREDIT ADMIN						
			INTERIOR DEPT						
			MERIT SYST PROT BD						
			NAT LABOR REL BD						
			EDUCATION DEPT						
			SMALL BUSINESS ADM						
			ACTION						
			INTERSTATE COMMERCE						
			FED HM LOAN BANK BD						
			OCC SAF & HLT REV CM						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS]
[INCREASED,EFFECTIVE 01/01/89. COVERS COLLIN, DALLAS, DENTON,]
[ELLIS, KAUFMAN, ROCKWELL, JOHNSON, PARKER AND TARRANT]
[COUNTIES.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:			GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS						
058	GS-0648 THER RAD TEC	SAN DIEGO CA	NAVAL HOSPITAL	5	19029	23655	514	01/01/89	R
				6	21213	26379	574		
				7	22933	28666	637		
				8	25401	31755	706		
				9	28057	35077	780		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
059	GS-0082 DEP US MARSHAL	WASHINGTON DC	JUSTICE DEPT	5	18363	23088	525	01/01/89	R
				7	21443	27293	650		
				9	25436	32591	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
060	GS-0082 DEP US MARSHAL	NEW YORK CY NY	JUSTICE DEPT	5	18363	23088	525	01/01/89	R
				7	21443	27293	650		
				9	25436	32591	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
061	GS-0082 DEP US MARSHAL	LOS ANGELES CA	JUSTICE DEPT	5	18363	23088	525	01/01/89	R
				7	21443	27293	650		
				9	25436	32591	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
062	GS-0082 DEP US MARSHAL	MIAMI FL	JUSTICE DEPT	5	18363	23088	525	01/01/89	R
				7	21443	27293	650		
				9	25436	32591	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
063	GS-0334 COMPUTER SPEC	ATLANTIC CY NJ	FED AVIATION ADMIN	5	20463	25188	525	01/01/89	R
				7	25343	31193	650		
				9	29411	36566	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
064	GS-0660 PHARMACIST	ABERDEEN MD	ARMY	11	32700	41358	962	01/01/89	R
				12	36886	47263	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
065	GS-0083 POLICE OFFICER	WASH DC MSA	DEFENSE DEPT	4	17350	21571	469	01/01/89	R
			GEN SERVICES ADM	5	18363	23088	525		
			HEALTH & HUMAN SVCS	6	19882	25147	585		
			TREASURY DEPT	7	21443	27293	650		
			US SOLDIERS/AIRMS HM	8	23750	30230	720		
			JUSTICE DEPT	9	25436	32591	795		
				10	27136	35011	875		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE	AUTHORIZATION COVERS:				1ST STEP	10TH STEP	WITHIN GRADE	EFFECTIV	REVIEWED
NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	RATE	RATE	INCREASE	DATE	OR NOT
066	GS-0085 GUARD	WARMINSTER PA	NAVY	4	15474	19695	469	01/01/89	R
				5	16700	21513	525		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
067	GS-0660 PHARMACIST	FT BRAGG NC	ARMY WOMACK HOSPITAL	11	36540	45206	962	04/02/89	N
068	GS-0642 NUC MED TECH	WASH DC MSA	ARMY WALT REED MDCTR	4	17350	21571	469	01/01/89	R
			NAVY	5	19413	24138	525		
				6	20467	25732	585		
				7	22743	28593	650		
				8	23750	30230	720		
				9	24641	31796	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
069	GS-0690 IND HYGIENIST	SACRAMENTO CA	AIR FORCE	5	18363	23088	525	01/01/89	R
			ARMY	7	22093	27943	650		
				9	26231	33386	795		
				11	30776	39434	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
070	GS-0312 CLERK STENO	LA COUNTY CA	AGRICULTURE DEPT	2	14169	17436	363	01/01/89	R
	GS-0318 SECRETARY	LOS ANGLS CO CA	US COMM CIVIL RIGHTS	3	15559	19240	409		
	GS-0322 CLERK TYPIST		COMMERCE DEPT	4	16552	20692	460		
	GS-0356 DATA TRANSCRIBE		COMMOD FUT TRD COMMI	5	17487	22113	514		
	GS-XXXX (TYPING)		DEFENSE DEPT	6	18712	23977	585		
	GS-XXXX (STENOGRAPHY)		EQ EMPL OPP COMMISSI	7	20143	25993	650		
	GS-XXXX (DATA TRANSCRI)		FED LABOR REL AUTH						
			FED MARITIME COMM						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT LABOR REL BD						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			AIR FORCE						
			ACTION						
			FED COMMUNIC COMM						
			NAT TRANSP SAFETY BD						
			NAT ARCHIVES & RCDS						
			FED HM LOAN BANK BD						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
071	GS-0312 CLERK STENO	ORANGE CO CA	COMMERCE DEPT	2	14169	17436	363	01/01/89	R
	GS-0318 SECRETARY		DEFENSE DEPT	3	15539	19240	409		
	GS-0322 CLERK TYPIST		GEN SERVICES ADM	4	16552	20692	460		
	GS-0356 DATA TRANSCRIBE		HEALTH & HUMAN SVCS	5	17407	22113	514		
	GS-XXXX (TYPING)		HOUSING & URBAN DEV	6	18712	23977	585		
	GS-XXXX (STENOGRAPHY)		INTERIOR DEPT	7	20143	25993	650		
	GS-XXXX (DATA TRANSCRI)		JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			SMALL BUSINESS ADM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			FED HM LOAN BANK BD						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
072	GS-0356 DATA TRANSCRIBE	ATLANTA GA	AIR FORCE	2	14456	17795	371	01/01/89	R
			COMMERCE DEPT	3	16293	20055	418		
			EDUCATION DEPT	4	17350	21571	469		
			HEALTH & HUMAN SVCS	5	18363	23088	525		
			LABOR DEPT	6	19297	24562	585		
			TREASURY DEPT	7	20793	26643	650		
			VETERANS ADMIN						
			NAVY						
			ARMY						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89. COVERS FULTON, DEKALB,] [GWINETT, COBB, CLAYTON, ROCKDALE AND DOUGLAS COUNTIES.]								
074	GS-0660 PHARMACIST	FT LEON WOOD MO	ARMY	9	30206	37361	795	01/01/89	R
				11	33662	42320	962		
				12	35733	46110	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
101	GS-0660 PHARMACIST	SAN ANTONIO TX	AIR FORCE	9	28837	35992	795	01/01/89	R
				11	31115	39773	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
102	GS-0699 DIETETIC TECHN	SAN FRAN CA	ARMY	4	17563	21613	450	08/02/88	N
				5	19150	23686	504		
				6	20785	25843	562		
	[ALL GRADES RECEIVED INCREASES ON 8/2/88. AGENCY DOES NOT] [DESIRE THE 4.1% INCREASE EFFECTIVE 1/1/89.]								
103	GS-0660 PHARMACIST	PORTSMOUTH VA	NAVAL MEDICAL CENTER	9	31001	38156	795	01/01/89	R
		NORFOLK VA	NAVAL MEDICAL CLINIC	11	33662	42320	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
104	GS-0082 DEP US MARSHAL	ALEXANDRIA VA	JUSTICE DEPT	5	18363	23088	525	01/01/89	R
				7	21443	27293	650		
				9	25436	32591	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
105	GS-1910 QUAL ASSUR SPEC	LONG ISLAND NY	DEF CONTR AUDIT AGCY	5	20463	25188	525	01/01/89	R
			DEFENSE LOGISTICS AG	7	25343	31193	650		
			TRANSPORTATION DEPT	9	29411	36366	795		
			DEFENSE DEPT	10	31511	39386	875		
			GEN SERVICES ADM	11	33662	42320	962		
				12	39192	49569	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89. COVERS NASSAU AND SUFFOLK] [COUNTIES.]								
106	GS-0083 SEC SVC UNIFORM	NATIONWIDE	TREASURY DEPT	1	24450	35197		01/01/89	R
	GS-0083 PARK POLICE		INTERIOR DEPT	2	25260	36007			
				4	32012	40013			
				5	36308	43573			
				7	42199	48517			
				8	48915	56263			
				9	57397	69066			
				10	68050	75473			
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED, EFFECTIVE 01/01/89. MIN AND MAX SALARY ONLY.] [NOT GS, TABLES MAY NOT EXCEED MAX OF $75500 (4 USC 4406).] [SECRET SERVICE UNIFORMED DIV AND US PARK POLICE NATIONWIDE]								
107	GS-0085 GUARD	VALLEJO CA	NAVY	3	15559	19312	417	01/01/89	R
				4	16552	20764	468		
				5	17487	22212	525		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
108	GS-0083 POLICE OFFICER	MARE ISLAND CA	NAVY AIR STATION	3	15559	19312	417	01/01/89	R
		VALLEJO CA	NAVY	4	16552	20764	468		
				5	17487	22212	525		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
109	GS-0080 SECURITY ADM	PORT NH/ME MSA	AGRICULTURE DEPT	2	12601	15940	371	01/01/89	R
	GS-0203 PERS CLK & ASST		HEALTH & HUMAN SVCS	3	13785	17547	418		
	GS-0302 MESSENGER		OFFICE PERSONNEL MGT	4	15005	19226	469		
	GS-0303 MISC CLK & ASST		TREASURY DEPT	5	16263	20988	525		
	GS-0304 INF RECEPTIONST		DEFENSE DEPT						
	GS-0305 MAIL & FILE CLK								
	GS-0312 CLERK STENO								
	GS-0318 SECRETARY								
	GS-0322 CLERK TYPIST								
	GS-0332 COMPUTER OPER								
	GS-0335 COMPUTER CLERK								
	GS-0344 MGMT CLK & ASST								
	GS-0350 EQUIPMENT OPER								
	GS-0356 DATA TRANSCRIBE								
	GS-0359 EL ACCT MACH OP								
	GS-0361 EQUAL OPP ASST								
	GS-0392 DATA COM EQP OP								
	GS-0394 COMMUNIC CLK								
	GS-0503 FINANCL CLK AST								
	GS-0525 ACCOUNTING TECH								
	GS-0540 VOUCHER EXAMNR								
	GS-0544 PAYROLL								
	GS-0561 BUDGET CLK/ASST								
	GS-0590 TIME & LEAVE								
	GS-0592 TAX EXAMINER								
	GS-1087 EDITORIAL ASST								
	GS-1105 PURCHASER								
	GS-1107 PROPTY DISP CLK								
	GS-1411 LIBRARY TECHN								
	GS-1702 EDU & TRAIN TEC								
	GS-2005 SUPPLY CLK/TECH								
	GS-2131 FREIGHT RATE								
	GS-2132 TRAVEL								
	GS-0675 MED REC TEC								
	GS-1106 PROCMT CLK/ASST								
	GS-0998 CLAIMS CLERK								
	GS-0204 MIL PER CLK/TCN								
	GS-0382 TELEPHONE OPER								
	GS-0530 CASH PROCESSING								
	GS-0545 MILITARY PAY								
	GS-0679 MEDICAL CLERK								
	GS-1101 GEN BUS & IND								
	GS-1601 GEN FAC & EQUIP								
109	GS-2091 SALES STORE CLK								
	GS-2102 TRANSP CLK/ASST								
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. SERIES 0204, 0382, 0503] [0545, 0679, 1101, 1601, 2091 AND 2102 APPLY TO THE DEFENSE] [DEPARTMENT ONLY.]								
110	GS-0512 INTERNAL REV AG	NEW YORK CY NY	TREASURY DEPT	5	18888	23613	525	01/01/89	R
				7	22743	28593	650		
				9	26231	33386	795		
				11	29814	38472	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
111	GS-0189 LIFEGUARD	NEW YORK CY NY SANDY HOOK NJ	INTERIOR DEPT	2	14085	17424	371	01/01/89	R
				3	15039	18801	418		
				4	15943	20164	469		
				5	17313	22038	525		
				6	18712	23977	585		
				7	20143	25993	650		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
112	GS-0986 LEGAL CLK/TECHN	ATLANTA GA	AGRICULTURE DEPT	3	15039	18801	418	01/01/89	R
			EDUCATION DEPT	4	15943	20164	469		
			EQ EMPL OPP COMMISSI	5	17838	22563	525		
			ENVIRON PROTECT AGCY	6	19297	24562	585		
			GEN SERVICES ADM	7	20793	26643	650		
			HEALTH & HUMAN SVCS	8	22310	28790	720		
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			FED TRADE COMM						
			OCC SAF & HLT REV CM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			SEC & EXCHANGE COMM						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. RESTRICTED TO INSIDE THE] [I-285 PERIMETER.]								
113	GS-0312 CLERK STENO	MIAMI FL	COMMERCE DEPT	2	13343	16682	371	01/01/89	R
	GS-0318 SECRETARY		DEFENSE DEPT	3	14621	18383	418		
	GS-0322 CLERK TYPIST		EQ EMPL OPP COMMISSI	4	15474	19695	469		
	GS-0356 DATA TRANSCRIBE		GEN SERVICES ADM	5	16788	21513	525		
	GS-0986 LEGAL CLK/TECHN		HEALTH & HUMAN SVCS	6	18127	23392	585		
	GS-XXXX (TYPING)		HOUSING & URBAN DEV						
	GS-XXXX (STENOGRAPHY)		INTERIOR DEPT						
	GS-XXXX (DATA TRANSCRI)		JUSTICE DEPT						
			LABOR DEPT						
			NAT LABOR REL BD						
			SEC & EXCHANGE COMM						
			SMALL BUSINESS ADM						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			AGRICULTURE DEPT						
			FED MARITIME COMM						
			NAT TRANSP SAFETY BD						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. RESTRICTED TO DADE COUNTY,] [NORTH OF SOUTH 232 STREET (SILVER PALM DRIVE).]								
114	GS-0610 NURSE	FT MONMOUTH NJ	ARMY PATTERSON HOSP	7	22093	27943	650	01/01/89	R
		LAKEHURST NJ	NAVAL AIR STATION	9	26231	33386	795		
		EARLE NJ	NAVAL AMMUNITION DEP	10	28011	35886	875		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
115	GS-0802 ENGINEER TECHN	PORTSMOUTH NH	NAVY	4	17819	22040	469	01/01/89	R
				5	19413	24138	525		
				6	21052	26317	585		
				7	22743	28593	650		
				8	24470	30950	720		
				9	26231	33386	795		
				10	28011	35886	875		
				11	29814	38472	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
116	GS-0072 FINGERPRINT ID	WASH DC MSA	JUSTICE DEPT	5	17313	22038	525	01/01/89	R
				6	19297	24562	585		
				7	21443	27293	650		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
117	GS-0322 CLERK TYPIST	MARTINEZ CA	VETERANS ADMIN	2	14456	17795	371	01/01/89	R
				3	16293	20055	418		
				4	18288	22509	469		
				5	20463	25188	525		
				6	22807	28072	585		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89.]								
118	GS-0610 NURSE	ATLANTA GA	NAT GUARD BUREAU	9	26231	33386	795	02/26/89	N
	[INCREASED GS-9 BY 10 PERCENT.]								
119	GS-0312 CLERK STENO	CHICAGO IL	AGRICULTURE DEPT	2	13343	16682	371	01/01/89	R
	GS-0318 SECRETARY		COMMERCE DEPT	3	14203	17965	418		
	GS-0322 CLERK TYPIST		COMMOD FUT TRD COMMI	4	15943	20164	469		
	GS-0356 DATA TRANSCRIBE		CONSUM PROD SFTY COM	5	17313	22038	525		
	GS-XXXX (TYPING)		EDUCATION DEPT						
	GS-XXXX (STENOGRAPHY)		ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			FDIC						
			FED COMMUNIC COMM						
			FED EMERG MGMT AGCY						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			SELECTIVE SERVICE						
			SMALL BUSINESS ADM						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			ACTION						
			NATIONAL MEDIATION						
			DEFENSE DEPT						
			VETERANS ADMIN						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89. RESTRICTED TO COOK, DUPAGE] [AND LAKE COUNTIES.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
120	GS-0610 NURSE	FT ORD CA	ARMY-FT ORD	5	20463	25188	525	01/01/89	R
				7	25343	31193	650		
				9	30206	37361	795		
				10	32386	40261	875		
				11	34624	43282	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
121	GS-0085 GUARD	SPRINGFIELD MA WESTOVER AFB MA	AIR FORCE	4	15943	20164	469	01/01/89	R
				5	18363	23088	525		
				6	19882	25147	585		
				7	21443	27293	650		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
122	GS-0610 NURSE	CMP PENDLTON CA	NAVY	7	24043	29893	650	01/01/89	R
				9	29411	36566	795		
				11	33662	42320	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
123	GS-0648 THER RAD TEC	AURORA CO	ARMY FITZSIM MEDCTR	4	18288	22509	469	01/01/89	R
				5	19938	24663	525		
				6	21052	26317	585		
				7	22093	27943	650		
				8	24470	30950	720		
				9	26231	33386	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
124	GS-0610 NURSE	SPRINGFIELD MO	JUSTICE DEPT	5	19413	24138	525	01/01/89	R
				7	20793	26643	650		
				9	25436	32591	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
125	GS-0312 CLERK STENO GS-0318 SECRETARY GS-0322 CLERK TYPIST GS-0356 DATA TRANSCRIBE GS-XXXX (TYPING) GS-XXXX (STENOGRAPHY) GS-XXXX (DATA TRANSCRI)	MINN/ST PAUL MN	AGRICULTURE DEPT COMMERCE DEPT DEFENSE DEPT EQ EMPL OPP COMMISSI FARM CREDIT ADMIN FED COMMUNIC COMM FED MED & CONCIL SVC GENERAL ACCTG OFFICE GEN SERVICES ADM HOUSING & URBAN DEV INTERIOR DEPT JUSTICE DEPT LABOR DEPT NAT LABOR REL BD OFFICE PERSONNEL MGT RAILROAD RETMT BOARD SMALL BUSINESS ADM TRANSPORTATION DEPT TREASURY DEPT VETERANS ADMIN HEALTH & HUMAN SVCS INTERSTATE COMMERCE	2	12972	16311	371	01/01/89	R
				3	14203	17965	418		
				4	15474	19695	469		
				5	16788	21513	525		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89. COVERS ANOKA, CARVER, DAKOTA,] [HENNEPIN, RAMSEY, SCOTT AND WASHINGTON COUNTIES.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
126	GS-0007 CORRECT OFFICER	NEW YORK CY NY	JB METRO CORRECT CTR	6	21637	26902	585	01/01/89	R
				7	22743	28593	650		
				8	23750	30230	720		
*	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
127	GS-0007 CORRECT OFFICER	OTISVILLE NY	FED CORRECT. INSTI.	6	21637	26902	585	01/01/89	R
				7	22743	28593	650		
				8	23750	30230	720		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
128	GS-0007 CORRECT OFFICER	LOMPOC CA	JD US PENITENTIARY	6	21637	26902	585	01/01/89	R
				7	22743	28593	650		
				8	23750	30230	720		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
129	GS-0007 CORRECT OFFICER	DANBURY CT	JD FED CORRECT INST	6	21637	26902	585	01/01/89	R
				7	22743	28593	650		
				8	23750	30230	720		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
130	GS-0007 CORRECT OFFICER	TERM ISLAND CA	JD FED CORRECT INST	6	21637	26902	585	01/01/89	R
		LOS ANGELES CA	JD METRO DETN CTR	7	22743	28593	650		
				8	23750	30230	720		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
131	GS-0610 NURSE ANESTHETI	AURORA CO	ARMY FITZSIM MEDCTR	9	31001	38156	795	01/01/89	R
				11	37510	46168	962		
				12	44957	55334	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
132	GS-0312 CLERK STENO	PLUM ISLAND NY	AGRICULTURE DEPT	4	15943	20164	469	01/01/89	R
	GS-0318 SECRETARY			5	17313	22038	525		
	GS-0322 CLERK TYPIST			6	18712	23977	585		
				7	20143	25993	650		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
133	GS-0699 ULTRASOUND TEC	WASH DC MSA	ARMY FT BELVOIR	6	22807	28072	585	01/01/89	R
			ARMY WALT REED MDCTR	7	25343	31193	650		
			NAVAL MEDICAL CENTER	8	28070	34550	720		
				9	30206	37361	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
134	GS-0660 PHARMACIST	FT DIX NJ	ARMY	9	31001	38156	795	01/01/89	R
		MCGUIRE AFB NJ	AIR FORCE	11	34624	43282	962		
				12	38039	48416	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
135	GS-0660 PHARMACIST	FT MONMOUTH NJ	ARMY	9	31001	38156	795	01/01/89	R
				11	33662	42320	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
136	GS-0986 LEGAL CLK/TECHN	NORTHERN NJ	HOUSING & URBAN DEV	4	16881	21102	469	01/01/89	R
			JUSTICE DEPT	5	18363	23088	525		
			TREASURY DEPT	6	19882	25147	585		
			VETERANS ADMIN	7	21443	27293	650		
			ARMY	8	23030	29510	720		
				9	24641	31796	795		
	[COVERS NJ COUNTIES OF BERGEN, ESSEX, HUDSON, PASSAIC,] [MORRIS, SOMERSET AND UNION.]								
137	GS-1510 ACTUARY	WASH DC MSA	DEFENSE DEPT	5	19413	24138	525	01/01/89	R
		CHICAGO IL	ENERGY DEPT	7	24043	29893	650		
		DAYTON OH	GENERAL ACCTG OFFICE	9	29411	36566	795		
		SALT LAKE CITY	LABOR DEPT	11	35586	44244	962		
		KANSAS CITY MO	OFFICE PERSONNEL MGT	12	38039	48416	1153		
		PHILADELPHIA PA	PENSION BENFT GURNTE	13	42492	54831	1371		
		NEW YORK CY NY	RAILROAD RETMT BOARD						
			TREASURY DEPT						
			VETERANS ADMIN						
			AIR FORCE						
			AGRICULTURE DEPT						
			HOUSING & URBAN DEV						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
138	GS-1510 ACTUARY	BALTIMORE MD	HEALTH & HUMAN SVCS	5	19413	24138	525	01/01/89	R
				7	24043	29893	650		
				9	29411	36566	795		
				11	31738	40396	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
139	GS-0620 PRACTICAL NURSE	GROTON CT	NAVY	3	16293	20055	418	01/01/89	R
				4	18288	22509	469		
				5	20463	25188	525		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.] [NONE]								
140	GS-0610 NURSE CLINICAL	NEW LONDON CT	NAVY	7	21443	27293	650	01/01/89	R
	GS-0610 NURSE EDUCATOR	GROTON CT	TRANSPORTATION DEPT	9	26231	33386	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
141	GS-0303 MISC CLK & ASST	NEW YORK CY NY	COMMERCE DEPT	3	14203	17965	418	01/01/89	R
		NORTHERN NJ		4	16412	20633	469		
		WESTCHESTER NY		5	19413	24138	525		
				6	21052	26317	585		
				7	22093	27943	650		
				8	23750	30230	720		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89. COVERAGE INCLUDES NEW YORK] [CITY AND WESTCHESTER NY; AS WELL AS THE NORTHERN NJ COUNTIES] [OF BERGEN, ESSEX, HUDSON, PASSAIC, MORRIS, SOMERSET AND] [UNION.] [FIELD REPRESENTATIVE ONLY]								
142	GS-1224 PATENT EXM(BIO)	ARLINGTON VA	COMMERCE DEPT	5	20058	24684	514	01/01/89	R
				7	24845	30578	637		
				9	26498	33518	780		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
143	GS-0610 NURSE	FT DIX NJ	ARMY	5	20463	25188	525	01/01/89	R
		MCGUIRE AFB NJ	AIR FORCE	7	22093	27943	650		
				9	26231	33386	795		
				10	28011	35886	875		
				11	29814	38472	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
144	GS-0610 NURSE	SAN DIEGO CA	NAVAL HOSPITAL	5	20463	25188	525	01/01/89	R
			NAVAL MEDICAL CLINIC	7	24043	29893	650		
			NAVAL MEDICAL COMAND	8	25910	32390	720		
				9	27821	34976	795		
				10	28886	36761	875		
				11	29814	38472	962		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
145	GS-0610 NURSE	WEST POINT NY	ARMY KELLER COM HOSP	7	25343	31193	650	01/01/89	R
				9	27821	34976	795		
				10	29761	37636	875		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
146	GS-0083 POLICE OFFICER	DAHLGREN VA	NAVY	3	15039	18801	418	01/01/89	R
		PATUXENT RIV MD		4	15943	20164	469		
				5	17313	22038	525		
				6	18712	23977	585		
				7	20143	25993	650		
				8	22310	28790	720		
				9	24641	31796	795		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
147	GS-0699 ULTRASOUND TEC	SPOKANE WA	AIR FORCE	5	19413	24138	525	01/01/89	R
				6	21637	26902	585		
				7	23393	29243	650		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
148	GS-1896 BORD PATROL AG	CALIFORNIA	JD IMMIG & NAT SVC	5	18363	23088	525	01/01/89	R
		ARIZONA		7	21443	27293	650		
		FLORIDA							
		LOUISIANA							
		NEW MEXICO							
		TEXAS							
		ALABAMA							
		MISSISSIPPI							
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
149	GS-0083 POLICE OFFICER	ANNAPOLIS MD	NAVY	4	15474	19693	469	01/01/89	R
				5	16788	21513	525		
				6	18127	23392	585		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
150	GS-1910 QUAL ASSUR SPEC	N CENTRAL NJ	ARMY	5	20463	25188	525	01/01/89	R
			DEFENSE DEPT	7	25343	31193	650		
			GEN SERVICES ADM	9	29411	36566	795		
				10	31511	39386	875		
				11	33662	42320	962		
				12	39192	49569	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED EFFECTIVE 01/01/89. COVERS MONMOUTH, SOMERSET,] [ESSEX, PASSAIC, MIDDLESEX, BERGEN, HUNTERDON, WARREN] [SUSSEX, MORRIS, UNION AND HUDSON COUNTIES IN NEW JERSEY.] [THERE ARE NO LIMITATIONS ON THE JOB SERIES.]								
151	GS-1910 QUAL ASSUR SPEC	NYMSA/ORG CO NY	ARMY	5	20463	25188	525	01/01/89	R
		DUTCHESS CO NY	DEFENSE DEPT	7	25343	31193	650		
		ULSTER CO NY	GEN SERVICES ADM	9	29411	36566	795		
			NAVY	10	31511	39386	875		
			TRANSPORTATION DEPT	11	33662	42320	962		
			JUSTICE DEPT	12	39192	49569	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE WAS] [INCREASED, EFFECTIVE 01/01/89. THE NEW YORK MSA INCLUDES] [BRONX, KINGS, NEW YORK, PUTNAM, QUEENS, RICHMOND, ROCKLAND,] [AND WESTCHESTER COUNTIES.]								
152	GS-1910 QUAL ASSUR SPEC	FAIRFIELD CO CT	DEFENSE DEPT	5	20463	25188	525	01/01/89	R
			GEN SERVICES ADM	7	25343	31193	650		
			NAVY	9	29411	36566	795		
			JUSTICE DEPT	10	31511	39386	875		
				11	33662	42320	962		
				12	39192	49569	1153		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
153	GS-0610 NURSE	SAN ANTONIO TX	AIR FORCE	4	17563	21613	450	10/23/88	N
				5	19654	24190	504		
				7	21846	27462	624		
	[SAN ANTONIO JOINT MILITARY MEDICAL COMMAND]								
154	GS-0312 CLERK STENO	MERCER CO NJ	DEFENSE LOGISTICS AG	2	12103	15307	356	10/23/88	N
	GS-0322 CLERK TYPIST		COMMERCE DEPT	3	13642	17251	401		
	GS-0356 DATA TRANSCRIBE		INTERIOR DEPT	4	14863	18913	450		
	GS-0318 SECRETARY		HEALTH & HUMAN SVCS	5	16126	20662	504		
	GS-XXXX (TYPING)		NAVY						
	GS-XXXX (STENOGRAPHY)		LABOR DEPT						
	GS-XXXX (DATA TRANSCRI)		AGRICULTURE DEPT						
			DEFENSE DEPT						
			TREASURY DEPT						
			TRANSPORTATION DEPT						
			ARMY						
			AIR FORCE						
			ACTION						
155	GS-1980 AG COMMOD GRD	WORLDWIDE	AGRICULTURE DEPT	5	18142	22678	504	10/30/88	N
				7	22470	28086	624		
				9	25963	32839	764		
	[GRADES GS-5, GS-7 AND GS-9 RECEIVED A 20%, 20% AND 13%]								
	[INCREASE RESPECTIVELY.]								
	[RESTRICTED TO TOBACCO GRADERS ONLY]								
156	GS-0647 DIAG RAD TEC	WASH DC MSA	ARMY FT BELVOIR	4	17563	21613	450	10/30/88	N
			ANDREWS AFB	5	19654	24190	504		
			ARMY WALT REED MDCTR	6	21909	26967	562		
			US SOLDIERS/AMNS HM	7	24342	29958	624		
			STATE DEPT	8	26267	32486	691		
			NAVY BETHESDA NMC	9	27491	34367	764		
				10	30272	37841	841		
157	GS-0510 ACCOUNTANT	EASTERN MA	AGRICULTURE DEPT	5	18988	23613	525	11/07/88	N
	GS-0511 AUDITOR		COMMERCE DEPT	7	22743	28593	650		
			COMMOD FUT TRD COMMI	9	26231	33386	795		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			EDUCATION DEPT						
			ENERGY DEPT						
			EXPORT-IMPORT BANK						
			EQ EMPL OPP COMMISSI						
			ENVIRON PROTECT AGCY						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT LABOR REL BD						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/ARMS HM						
			VETERANS ADMIN						
			U.S. COURTS						
			EXEC. OFF. PRESIDENT						
			DEFENSE DEPT						
			NAT ENDOWMT FOR ARTS						
			NAT ENDOW FOR HUMAN						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
	[INCLUDES THE CITY OF BOSTON AND THE COUNTIES OF MIDDLESEX,] [ESSEX, NORFOLK, PLYMOUTH, SUFFOLK AND WORCESTER.]								
158	GS-0510 ACCOUNTANT	CONNECTICUT	AGRICULTURE DEPT	5	18888	23613	525	11/07/88	N
	GS-0511 AUDITOR		COMMERCE DEPT	7	22743	28593	650		
			COMMOD FUT TRD COMMI	9	26231	33386	795		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXPORT-IMPORT BANK						
			EXEC. OFF. PRESIDENT						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE	AUTHORIZATION COVERS:				1ST	10TH	WITHIN		
NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	STEP RATE	STEP RATE	GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AIRMS HM						
			VETERANS ADMIN						
			JUSTICE DEPT						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
159	GS-0304 INF RECEPTIONST	JUNEAU AK	AGRICULTURE DEPT	1	12529	15427	322	01/01/89	R
	GS-0305 MAIL & FILE CLK		ENERGY DEPT	2	13806	17073	363		
	GS-0309 CORRESP CLERK		INTERIOR DEPT	3	14331	18012	409		
	GS-0312 CLERK STENO		TRANSPORTATION DEPT	4	15172	19312	460		
	GS-0313 WK UNIT SUPERV		TREASURY DEPT	5	16458	21084	514		
	GS-0318 SECRETARY		ENVIRON PROTECT AGCY						
	GS-0319 CLOSED MICR RPT		OFFICE PERSONNEL MGT						
	GS-0322 CLERK TYPIST		GEN SERVICES ADM						
	GS-0332 COMPUTER OPER		COMMERCE DEPT						
	GS-0335 COMPUTER CLERK		LABOR DEPT						
	GS-0344 MGMT CLK & ASST								
	GS-0350 EQUIPMENT OPER								
	GS-0351 PRINTING CLK								
	GS-0354 BKP MACH OPER								
	GS-0355 CALC MACH OPER								
	GS-0356 DATA TRANSCRIBE								
	GS-0357 CODER								
	GS-0359 EL ACCT MACH OP								
	GS-0361 EQUAL OPP ASST								
	GS-0382 TELEPHONE OPER								
	GS-0385 TELETYPIST								
	GS-0394 COMMUNIC CLK								
	GS-0503 FINANCL CLK AST								
	GS-0525 ACCOUNTING TECH								
	GS-0530 CASH PROCESSING								
	GS-0540 VOUCHER EXAMNR								
	GS-0544 PAYROLL								
	GS-0545 MILITARY PAY								
	GS-0963 LEGAL INST EXMR								
	GS-0986 LEGAL CLK/TECHN								
	GS-0998 CLAIMS CLERK								
	GS-1001 GEN ARTS & INF								
	GS-1021 OFFICE DRAFTING								
	GS-1046 LANGUAGE CLERK								
	GS-1087 EDITORIAL ASST								
	GS-1101 GEN BUS & IND								
	GS-1106 PROCMT CLK/ASST								
	GS-1107 PROPTY DISP CLK								
	GS-1411 LIBRARY TECHN								
	GS-1421 ARCHIVES TECHN								
	GS-1531 STATISTCL ASST								
	GS-1802 COMPLIANCE INSP								
	GS-1897 CUSTOMS AID								
	GS-2001 GEN SUPPLY								
	GS-2091 SUPPLY CLK/TECH								
	GS-2101 TRANSPORTN SPCL								
	GS-2131 FREIGHT RATE								
	GS-2091 SALES STORE CLK								
	GS-2132 TRAVEL								
	GS-2133 PASSENGER RATE								
	GS-2134 SHIPMENT CLERK								
	GS-2131 DISPATCHER								
	GS-0590 TIME & LEAVE								
	GS-0561 BUDGET CLK/ASST								
	GS-0303 MISC CLK & ASST								
	GS-0302 MESSENGER								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	GS-0204 MIL PER CLK/TCH								
	GS-0203 PERS CLK & ASST								
	GS-0072 FINGERPRINT ID								
	GS-0134 INTELL AID/CLK								
	GS-2005 SUPPLY CLK/TECH								
	GS-0334 COMPUTER SPEC								

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]
[CLERICALS AND CERTAIN TECHNICAL SERIES]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
160	GS-0510 ACCOUNTANT	LONG ISLAND NY	AGRICULTURE DEPT	5	18888	23613	525	11/07/88	N
	GS-0511 AUDITOR	NEW YORK CY NY	COMMERCE DEPT	7	22743	28593	650		
			COMMOD FUT TRD COMMI	9	26231	33386	795		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXEC. OFF. PRESIDENT						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AMMS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						

[THE NEW YORK CITY/LONG ISLAND AREA COVERS NASSAU AND SUFFOLK]
[COUNTIES AND THE FIVE BOROUGHS OF THE CITH OF NEW YORK.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
161	GS-0510 ACCOUNTANT	NORTHERN NJ	AGRICULTURE DEPT	5	18363	23088	525	11/07/88	N
	GS-0511 AUDITOR		COMMERCE DEPT	7	22093	27943	650		
			COMMOD FUT TRD COMMI	9	26231	33386	795		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXEC. OFF. PRESIDENT						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						

[THE NORTHERN NEW JERSEY AREA COVERS THE COUNTIES OF BERGEN,]
[ESSEX, HUDSON, MORRIS, PASSAIC, SOMERSET AND UNION.]

162	GS-0510 ACCOUNTANT	PHILADELPHIA PA	AGRICULTURE DEPT	5	18363	23088	525	11/07/88	N
	GS-0511 AUDITOR	CHESTER CNTY PA	COMMERCE DEPT	7	22093	27943	650		
		MNTGOMERY CO PA	COMMOD FUT TRD COMMI	9	26231	33386	795		
		CHESTER CO PA	CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXEC. OFF. PRESIDENT						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
163	GS-0322 CLERK TYPIST	SEATTLE WA	ARMY CORPS ENGINEERS	4	15376	19354	442	01/01/89	R
				5	16078	20524	494		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89. AUTHORIZATION LIMITED TO]
[POSITIONS WHERE AT LEAST 50 PERCENT OFTHE DUTIES INVOLVE THE]
[OPERATION OF WORD PROCESSING EQUIPMENT.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
164	GS-0510 ACCOUNTANT	WASH DC MSA	AGRICULTURE DEPT	5	18363	23088	525	11/07/88	N
	GS-0511 AUDITOR		COMMERCE DEPT	7	22093	27943	650		
			COMMOD FUT TRD COMMI	9	26231	33386	795		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXEC. OFF. PRESIDENT						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
			ACTION						
165	GS-0510 ACCOUNTANT	SN JOSE CA CMSA	AGRICULTURE DEPT	5	18888	23613	525	11/07/88	N
	GS-0511 AUDITOR	SF/OAK CA PMSA	COMMERCE DEPT	7	22743	28593	650		
		SOLANO CO CA	COMMOD FUT TRD COMMI	9	26231	33386	795		
		SAN JOS CO CMSA	CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXEC. OFF. PRESIDENT						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
			OFC OF ADMINISTRATN						
			OFFICE PERSONNEL MGT						
			OFFICE MGMT & BUDGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			NAT SCIENCE FNDATION						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
	[INCLUDES THE CITY OF SAN JOSE, SANTA CLARA COUNTY, CITY AND] [COUNTY OF SAN FRANCISCO, CITY OF OAKLAND AND THE COUNTIES OF] [ALAMEDA, CONTRA COSTA, MARIN, SAN MATEO AND SOLANO.]								
166	GS-0510 ACCOUNTANT	LA COUNTY CA	AGRICULTURE DEPT	5	18888	23613	525	11/07/88	N
	GS-0511 AUDITOR	ORANGE CO CA	COMMERCE DEPT	7	22743	28593	650		
		LOS ANGLS CO CA	COMMOD FUT TRD COMMI	9	26231	33386	795		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXEC. OFF. PRESIDENT						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
167	GS-0303 MISC CLK & ASST	BARROW AK	HEALTH & HUMAN SVCS	1	12529	15427	322	01/01/89	R
	GS-0318 SECRETARY			2	14169	17436	363		
	GS-0322 CLERK TYPIST			3	15968	19649	409		
	GS-XXXX (TYPING)			4	17932	22072	460		
				5	20058	24684	514		
				6	22361	27527	574		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
168	GS-XXXX (TYPING)	BETHEL AK	HEALTH & HUMAN SVCS	1	11205	13535	VARIES**	01/01/89	R
	GS-2132 TRAVEL		INTERIOR DEPT	2	13442	16709	363		
	GS-2005 SUPPLY CLK/TECH		TRANSPORTATION DEPT	3	15150	18831	409		
	GS-1101 GEN BUS & IND			4	17012	21152	460		
	GS-0540 VOUCHER EXAMNR			5	19029	23655	514		
	GS-0525 ACCOUNTING TECH			6	20066	25232	574		
	GS-0203 PERS CLK & ASST								
	GS-0303 MISC CLK & ASST								
	GS-0318 SECRETARY								
	GS-0322 CLERK TYPIST								
	GS-0382 TELEPHONE OPER								
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.] * [OCCSER 1101 LIM TO 1 GRADE INTFRVAL WORK ONLY] ** [STEP2=11219 STEP3=11502 STEP4=12167 STEP5=12083 STEP6=[illegible]73 STEP7=12664 STEP8=12954 STEP9=13245]								
169	GS-0083 POLICE OFFICER	INDN SPGS AFAF	AIR FORCE	3	18407	23132	525	11/27/88	N
				6	19953	25218	585		
				7	21534	27384	650		
170	GS-0085 GUARD	BALTIMORE CO MD	ARMY	3	14621	18303	410	11/20/88	N
		ANNE ARUNDEL CO	NAVY	4	15474	19695	469		
		BALTIMORE MD	DEFENSE INVESTIG SVC	5	16788	21513	525		
				6	18127	23392	585		
171	GS-0085 GUARD	PICATINNY AR NJ	ARMY	4	15943	20164	469	01/15/89	N
				5	16788	21513	525		
	[GS-4 RECEIVED A 13.3% INCREASE AND GS05 RECEIVED A 6.7%] [INCREASE EFFECTIVE 01/15/89.]								
173	GS-0610 NURSE	ALBUQUERQUE NM	AIR FORCE	5	19654	24190	504	11/20/88	N
			ENERGY DEPT	7	24043	29893	650		
				9	26231	33386	795		
				11	29814	38472	962		

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
174	GS-0083 POLICE OFFICER	PHILADELPHIA PA	DEFENSE AGENCIES	3	16293	20055	418	01/01/89	N
	GS-0085 GUARD		TREASURY DEPT	4	17350	21571	469		
			GEN SERVICES ADM	5	18363	23088	525		
				6	19882	25147	585		
				7	21443	27293	650		
				8	23750	30230	720		
175	GS-0083 POLICE OFFICER	SAN FRAN CA	GEN SERVICES ADM	5	18363	23088	525	01/01/89	N
			TREASURY DEPT	6	19882	25147	585		
				7	21443	27293	650		
				8	23030	29510	720		
176	GS-0083 POLICE OFFICER	WEST POINT NY	TREASURY DEPT	5	18363	23088	525	01/01/89	N
				6	19882	25147	585		
				7	21443	27293	650		
				8	23030	29510	720		
177	GS-0610 NURSE CLINICAL	COLUMBIA SC	ARMY MONCRIEF HOSP	9	25436	32591	795	01/01/89	N
				10	27136	35011	875		
178	GS-0322 CLERK TYPIST	PORTLAND OR	VETERANS ADMIN	3	14203	17965	418	01/01/89	N
		VANCOUVER WA		4	15474	19695	469		
				5	16788	21513	525		
				6	18127	23392	585		

[GS-322 CLERK-TYPIST POSTIONS, RESTRICTED TO MEDICAL]
[TRANSCRIPTIONIST, ONLY.]
[MEDICAL TRANSCRIPTIONIST]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
179	GS-0647 DIAG RAD TEC	MONTERREY CA	ARMY FT ORD	5	20463	25188	525	01/01/89	N
				6	22807	28072	585		
				7	24043	29893	650		
				8	25910	32390	720		
180	GS-0633 PHYSICAL THERAP	WASH DC MSA	US SOLDIERS/AMNS HM	5	20463	25188	525	01/01/89	N
			ARCHITECT OF CAPITOL	7	25343	31193	650		
			ARMY	9	30206	37361	795		
				10	31511	39386	875		
				11	32700	41358	962		
				12	36886	47263	1153		
181	GS-0083 POLICE OFFICER	BOSTON MA	GEN SERVICES ADM	4	15943	20164	469	01/01/89	N
				5	17313	22038	525		
				6	18712	23977	585		
				7	20143	25993	650		

[ALL GRADES RECEIVED INCREASES.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
182	GS-0083 POLICE OFFICER	NEW YORK MSA NY	ARMY	4	15943	20164	469	01/01/89	N
			GEN SERVICES ADM	5	17313	22038	525		
			NAVY	6	18712	23977	585		
				7	20143	25993	650		
	[ALL GRADES RECEIVED INCREASES.]								
183	GS-0083 POLICE OFFICER	CHICAGO IL	GEN SERVICES ADM	4	15943	20164	469	01/01/89	N
				5	17313	22038	525		
				6	18712	23977	585		
				7	20143	25993	650		
	[ALL GRADES RECEIVED INCREASES.]								
184	GS-0610 NURSE	FAIRFIELD CA	TRAVIS AFB	9	29411	36566	795	01/15/89	N
		VALLEJO CA	NAVY MARE ISLND SHPY	10	31511	39386	875		
				11	33662	42320	962		
185	GS-0083 POLICE OFFICER	GROTON CT	NAVY	4	17350	21571	469	01/22/89	N
				5	18363	23088	525		
	[GS-4 RECEIVED A 23.3% INCREASE AND GS-5 RECEIVED A 16.7%] [INCREASE.]								
186	GS-0085 GUARD	GROTON CT	NAVY	1	12275	15020	305	01/22/89	N
				2	13883	17087	356		
				3	15246	18855	401		
				4	16663	20713	450		
				5	18363	23088	525		
187	GS-0312 CLERK STENO	W'CHESTER CO NY	HEALTH & HUMAN SVCS	2	14169	17436	363	02/12/89	N
	GS-0322 CLERK TYPIST		JUSTICE DEPT	3	15559	19240	409		
	GS-0356 DATA TRANSCRIBE		TRANSPORTATION DEPT	4	16552	20692	460		
	GS-XXXX (TYPING)		TREASURY DEPT	5	17487	22113	514		
	GS-XXXX (STENOGRAPHY)		VETERANS ADMIN	6	18346	23512	574		
	GS-XXXX (DATA TRANSCRI)								
188	GS-0610 NURSE	FT KNOX KY	ARMY	7	21443	27293	650	02/13/89	N
				9	25436	32591	795		
				10	28011	35886	875		
				11	29814	38472	962		
189	GS-0660 PHARMACIST	FT LEWIS WA	ARMY MADIGAN MED CTR	9	29411	36566	795	02/09/89	N
				11	31738	40396	962		
190	GS-0312 CLERK STENO	NEW YORK CY NY	JD US ATTY SO DIS NY	7	25343	31193	650	03/26/89	N
		WHITE PLAINS NY		8	28070	34550	720		
				9	31001	38156	795		
				10	34136	42011	875		
				11	37510	46168	962		
	[INCLUDES SHORTHAND REPORTERS ONLY.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
191	GS-0085 GUARD	WASH DC MSA	DEFENSE AGENCIES	3	14203	17965	418	03/12/89	N
		DAHLGREN VA	NAT GALLERY OF ART	4	15943	20164	469		
		VINT HL FARM VA	SMITHSONIAN INST	5	17313	22038	525		
			AGRICULTURE DEPT	6	18712	23977	585		
			COMMERCE DEPT	7	20143	25993	650		
			FED EMERG MGMT AGCY						
			JUSTICE DEPT						
			US INFORMATION AGCY						
			INTERIOR DEPT						
192	GS-0660 PHARMACIST	FT CAMPBELL KY	ARMY	9	28616	35771	795	03/05/89	N
				11	32700	41358	962		
				12	35733	46110	1153		
193	GS-621 NURSING ASST	FT DEVENS MA	ARMY	4	15474	19695	469	03/12/89	N
195	GS-0801 ENG GENERAL	FT IRWIN CA	ARMY	5	20463	25188	525	03/12/89	N
	GS-0803 ENG SAFETY			7	25343	31193	650		
	GS-0804 ENG FIRE PREVEN			9	31001	38156	795		
	GS-0806 ENG MATERIALS			11	33632	42119	943		
	GS-0807 LANDSCAPE ARCHT			12	36525	46704	1131		
	GS-0808 ARCHITECT								
	GS-0810 ENG CIVIL								
	GS-0819 ENG ENVIRONMENL								
	GS-0830 ENG MECHANICAL								
	GS-0858 ENG BIOMEDICAL								
	GS-0861 ENG AEROSPACE								
	GS-0871 NAVAL ARCHITECT								
	GS-0890 ENG AGRICULTURE								
	GS-0892 ENG CERAMICS								
	GS-0893 ENG CHEMICAL								
	GS-0894 ENG WELDING								
	GS-0896 ENG INDUSTRIAL								
196	GS-1831 SECUR COMPL EXA	LOS ANGELES CA	SEC & EXCHANGE COMM	5	18888	23613	525	03/13/89	N
				7	22743	28593	650		
				9	26231	33386	795		
	[THE INITIAL REQUEST HAD BEEN FOR NATIONWIDE COVERAGE,] [SUBSEQUENTLY CHANGED TO 9 AREAS AND FINALLY SUBMITTED FOR] [2 AREAS, LA AND NY.]								
197	GS-1831 SECUR COMPL EXA	NEW YORK CY NY	SEC & EXCHANGE COMM	5	18888	23613	525	03/13/89	N
				7	22743	28593	650		
				9	26231	33386	795		
	[INITIAL SUBMISSION WAS FOR NATIONWIDE COVERAGE SUBSEQUENTLY] [CHANGED TO VARIOUS AREAS AND FINALLY CHANGED TO TWO AREAS] [NYC AND LA.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
198	GS-2091 SALES STORE CLK	WASH DC MSA	ARMY	1	12445	15076	VARIES##	03/12/89	N
			AIR FORCE	2	13343	16682	371		
			DEFENSE DEPT	3	15039	18801	418		
			NAVY	4	15943	20164	469		
				5	17313	22038	525		
				6	18712	23977	585		
## [STEP2=12461 STEP3=12780 STEP4=13108 STEP5=13436 STEP6=13764 STEP7=14092 STEP8=14420 STEP9=14748]									
199	GS-1529 MATH STATISTICN	PALO ALTO CA	VETERANS ADMIN	9	29411	36566	795	03/13/89	N
				11	31738	40396	962		
200	GS-0840 ENG NUCLEAR	FT IRWIN CA	ARMY	5	20463	25188	525	03/12/89	N
	GS-0850 ENG ELECTRICAL			7	25343	31193	650		
	GS-0854 ENG COMPUTER			9	31001	38156	795		
	GS-0855 ENG ELECTRONICS			11	34131	42618	943		
				12	38447	49022	1175		
201	GS-1863 FOOD INSPECTOR	BERGEN CO NJ	AGRICULTURE DEPT	5	18888	23613	525	03/17/89	N
	GS-1382 FOOD TECHNOLOGI	BRONX CO NY		7	22093	27943	650		
		ESSEX CO NJ		8	24470	30950	720		
		FAIRFIELD CO CT		9	26231	33386	795		
		HUDSON CO NJ		10	28011	35886	875		
		KINGS CO NY							
		MIDDLESEX CO NJ							
		MONMOUTH CO NJ							
		NASSAU CO NY							
		NEW YORK CO NY							
		PASSAIC CO NJ							
		QUEENS CO NY							
		RICHMOND CO NY							
		ROCKLAND CO NY							
		SUFFOLK CO NY							
		UNION CO NJ							
		W'CHESTER CO NY							
202	GS-0647 DIAG RAD TEC	FT DIX NJ	ARMY WALSON HOSPITAL	5	19414	24139	525	03/29/89	N
				6	22222	27487	585		
				7	24693	30543	650		
203	GS-0699 DIAG MED SONOGR	DIX/MCGUIRE NJ	ARMY WALSON HOSPITAL	7	24693	30543	650	03/22/89	N
				8	27350	33830	720		
				9	30206	37361	795		
204	GS-0610 NURSE	FT BLISS TX	ARMY BEAUMONT MDCTR	5	20463	25188	525	03/24/89	N
				7	23393	29243	650		
				9	27821	34976	795		
				10	30636	38511	875		
				11	33662	42320	962		

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
205	GS-0085 GUARD	PORTSMTH SYD ME	NAVY	4	15474	19695	469	04/09/89	N
207	GS-0620 PRACTICAL NURSE	FT DEVENS MA	ARMY	5	19413	24138	525	04/16/89	N
208	GS-0601 CYTOGENETICS TE	SAN DIEGO CA	NAVY	5 7 8 9	20463 23393 25190 27026	25188 29243 31670 34181	525 650 720 795	04/11/89	N
209	GS-0646 CYTOLOGY TECN	SAN DIEGO CA	NAVY	5 6 7	20463 21637 23393	25188 26902 29243	525 585 650	04/11/89	N
210	GS-0660 PHARMACIST	JACKSONVILLE FL	NAVY	11	35586	44244	962	04/23/89	N
211	GS-0633 PHYSICAL THERAP	YOKOSUKA JAPAN	NAVY	9 11	28634 34645	35789 43303	795 962	04/24/89	N
	[LOCATION IS YOKOSUKA, JAPAN.]								
212	GS-0631 OCCUP THERAPIST	YOKOSUKA JAPAN	NAVY	9 11	28634 34645	35789 43303	795 962	04/24/89	N
	[LOCATION IS YOKOSUKA, JAPAN]								
290	GS-0602 MED OFF CLIN	WORLDWIDE	AIR FORCE ARMY HEALTH & HUMAN SVCS JUSTICE DEPT NAVY NASA US SOLDIERS/AIRMS HM STATE DEPT TREASURY DEPT ENERGY DEPT TRANSPORTATION DEPT	11 12 13 14 15	36100 43272 51457 59245 64187	44587 53451 63553 73537 80999	943 1131 1344 1588 1868	01/01/89	R
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED, EFFECTIVE 01/01/89. SOME SALARIES IN] [THIS TABLE MAY EXCEED THE STATUTORY MAXIMUM OF 75500] [CLINICAL MED OFFICERS ONLY]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
304	GS-0610 NURSE	WASH DC MSA	AIR FORCE	4	16881	21102	469	01/01/89	R
		FT MEADE MD	AGRICULTURE DEPT	5	20463	25100	525		
			ARMY	7	22093	27943	650		
			COMMERCE DEPT	9	29411	36566	795		
			DEFENSE DEPT	10	31511	39386	875		
			ENERGY DEPT	11	33662	42320	962		
			HEALTH & HUMAN SVCS	12	39192	49569	1153		
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NAVY						
			STATE DEPT						
			TRANSPORTATION DEPT						
			US SOLDIERS/AMNS HM						
			OFFICE PERSONNEL MGT						
			SMITHSONIAN INST						
			ARCHITECT OF CAPITOL						
			LIBRARY OF CONGRESS						
			ARMY(KIMBROUGH HOSP)						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.] [THIS AUTH. COVERS ALL GS-610 NURSES FOR ALL SUBGROUPS.]								
320	GS-0682 DENTAL HYGIENST	CALIFORNIA	AIR FORCE	4	17932	22072	460	01/01/89	R
			ARMY	5	20058	24684	514		
			NAVY	6	22361	27527	574		
				7	24845	30578	637		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
352	GS-0610 NURSE	SF/OAK CA PMSA	ARMY	5	20058	24684	514	01/01/89	R
			NAVY	7	24845	30578	637		
			HEALTH & HUMAN SVCS	9	30396	37416	780		
			JUSTICE DEPT	10	32608	40330	858		
			TRANSPORTATION DEPT	11	34888	43375	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.] [CHANGED TO ALL NURSE SERIES]								
360	GS-0640 THER RAD TEC	WASH DC MSA	ARMY	4	16815	20955	460	01/01/89	R
			NAVY	5	18811	23311	500		
				6	20976	25989	557		
				7	22110	27672	618		
				8	23861	30215	706		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
363	GS-0647 DIAG RAD TEC	SF/OAK CA PMSA	ARMY	4	17932	22072	460	01/01/89	R
			NAVY	5	20058	24684	514		
				6	22361	27527	574		
				7	23570	29303	637		
				8	24696	31050	706		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
386	GS-0661 PHARM TECH	SAN FRAN CMSA	ARMY	3	15968	19649	409	01/01/89	R
				4	17932	22072	460		
				5	20058	24684	514		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
394	GS-0620 VOCATION NURSE	SF/OAK CA PMSA	ARMY	4	17932	22072	460	01/01/89	R
			NAVY	5	20058	24684	514		
				6	21213	26379	574		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
414	GS-0801 ENG GENERAL	WORLDWIDE	AGRICULTURE DEPT	5	20463	25188	525	01/01/89	R
	GS-0803 ENG SAFETY		AIR FORCE	7	25343	31193	650		
	GS-0804 ENG FIRE PREVEN		ARMY	9	30396	37416	780		
	GS-0806 ENG MATERIALS		CONSUM PROD SFTY COM	11	32670	41157	943		
	GS-0807 LANDSCAPE ARCHT		ENERGY DEPT	12	35372	45551	1131		
	GS-0808 ARCHITECT		ENVIRON PROTECT AGCY						
	GS-0810 ENG CIVIL		FED EMERG MGMT AGCY						
	GS-0819 ENG ENVIRONMENTAL		FED ENERGY REG COMM						
	GS-0830 ENG MECHANICAL		GEN SERVICES ADM						
	GS-0858 ENG BIOMEDICAL		HEALTH & HUMAN SVCS						
	GS-0861 ENG AEROSPACE		INTERIOR DEPT						
	GS-0871 NAVAL ARCHITECT		JUSTICE DEPT						
	GS-0890 ENG AGRICULTURE		LABOR DEPT						
	GS-0892 ENG CERAMICS		NASA						
	GS-0893 ENG CHEMICAL		NAT TRANSP SAFETY BD						
	GS-0894 ENG WELDING		NAVY						
	GS-0896 ENG INDUSTRIAL		TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			VOICE OF AMERICA						
			DEFENSE DEPT						
			EXPORT-IMPORT BANK						
			HOUSING & URBAN DEV						
			SMITHSONIAN INST						
			COMMERCE DEPT						
			SMALL BUSINESS ADM						
			U.S. COURTS						
			ARCHITECT OF CAPITOL						
			STATE DEPT						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
415	GS-0881 PETROLEUM ENGR	NATIONWIDE	ARMY	5	20058	24684	514	01/01/89	R
			ENERGY DEPT	7	24845	30578	637		
			ENVIRON PROTECT AGCY	9	29509	36322	757		
			FED ENERGY REG COMM	11	31896	39258	818		
			JUSTICE DEPT	12	36267	45096	981		
			NAT TRANSP SAFETY BD						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			DEFENSE DEPT						
			INTERIOR DEPT						
			EXPORT-IMPORT BANK						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
417	GS-0880 MINING ENGR	NATIONWIDE	AGRICULTURE DEPT	5	17391	21405	446	01/01/89	R
			ARMY	7	21550	26527	553		
			ENERGY DEPT	9	26356	32440	676		
			FED ENERGY REG COMM	11	30260	37622	818		
			INTERIOR DEPT						
			LAVOR DEPT						
			TREASURY DEPT						
			DEFENSE DEPT						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
422	GS-0840 ENG NUCLEAR	WORLDWIDE	AGRICULTURE DEPT	5	20463	25188	525	01/01/89	R
	GS-0850 ENG ELECTRICAL		AIR FORCE	7	25343	31193	650		
	GS-0854 ENG COMPUTER		ARMY	9	30396	37416	780		
	GS-0855 ENG ELECTRONICS		CONSUM PROD SFTY COM	11	33169	41656	943		
			ENERGY DEPT	12	37294	47869	1175		
			ENVIRON PROTECT AGCY						
			FED EMERG MGMT AGCY						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT TRANSP SAFETY BD						
			NAVY						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			DEFENSE DEPT						
			COMMERCE DEPT						
			ARCHITECT OF CAPITOL						
			STATE DEPT						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
457	GS-0660 PHARMACIST	SAN FRANCSCO CA	ARMY	9	30396	37416	780	01/01/89	R
				11	33945	42432	943		
				12	36163	46342	1131		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
467	GS-0621 NURSING ASST	ALASKA	HEALTH & HUMAN SVCS	2	12402	15462	340	01/01/89	R
				3	13983	17439	384		
				4	15091	18817	414		

[ALL GRADES RECEIVED INCREASES.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
468	GS-0622 MED SUPPLY AID	ALASKA	AK NATIVE HEALTH SVC	1	10708	13043	VARIES**	01/01/89	R
				2	11899	14896	VARIES**		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]
** [STEP2=11013 STEP3=11346 STEP4=11342 STEP5=11871 STEP6=12202 STEP7=12216 STEP8=12529 STEP9=12851]
STEP2=12216 STEP3=12353 STEP4=12716 STEP5=13079 STEP6=13442 STEP7=13910 STEP8=14169 STEP9=14532]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
471	GS-0647 DIAG RAD TEC	ALASKA	HEALTH & HUMAN SVCS	4	18171	22311	460	01/01/89	R
				5	19790	24416	514		
				6	20869	26035	574		
				7	21863	27596	637		
				8	22747	29101	706		

[ALL GRADES RECEIVED INCREASES.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
473	GS-0681 DENTAL ASST	ALASKA	AK NATIVE HEALTH SVC	2	11552	14729	353	01/01/89	R
				3	14314	17896	398		
				4	15622	19645	447		
				5	16479	20979	500		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
493	GS-0644 MED TECH	ALASKA	HEALTH & HUMAN SVCS	5	20326	24952	514	01/01/89	R
				7	23188	28921	637		
				9	24780	31800	780		
				11	30007	38494	943		
				12	35870	46049	1131		

[ALL GRADES RECEIVED INCREASES.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
494	GS-0644 MED TECHNOLGIST	NAVAJ/PHOEN IHA	INDIAN HEALTH SVC	5	19637	24263	514	01/01/89	R
		TUCSON IHA	HEALTH & HUMAN SVCS	7	21891	27624	637		
				9	25439	32459	780		
				10	27860	35582	858		
				11	30593	39080	943		
499	GS-0602 MED OFF OTHER	WORLDWIDE	ARMY	12	38401	47230	981	01/01/89	R
			AIR FORCE	13	48376	60472	1344		
			HEALTH & HUMAN SVCS	14	53991	68283	1588		
			NASA	15	59772	76584	1868		
			NAVY						
			OFFICE PERSONNEL MGT						
			TRANSPORTATION DEPT						
			VETERANS ADMIN						
			US AGENCY INTL DEV						
			LABOR DEPT						
			ENERGY DEPT						
			AGRICULTURE DEPT						
			CONSUM PROD SFTY COM						
			FED EMERG MGMT AGCY						
			SMITHSONIAN INST						
			INTERIOR DEPT						
			NAT TRANSP SAFETY BD						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED, EFFECTIVE 01/01/89. SOME SALARIES IN]
[THIS TABLE MAY EXCEED THE STATUTORY MAXIMUM OF 75500]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
501	GS-0610 NURSE	AURORA CO	ARMY FITZSIM MEDCTR	5	20463	25188	525	01/01/89	R
				7	24043	29893	650		
				9	25436	32591	795		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89. NURSE ANESTHETIST IS]
[EXCLUDED FROM THIS AUTHORIZATION (SEE TABLE NUMBER 131).]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
509	GS-0699 DIAG MED SONOGR	FT ORD CA	ARMY SILAS HAYES HOS	5	20463	25188	525	01/01/89	R
				6	22807	28072	585		
				7	25343	31193	650		
				8	28070	34550	720		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
524	GS-0602 MED OFF RESERCH	WORLDWIDE	AIR FORCE	11	34284	42771	943	01/01/89	R
			AGRICULTURE DEPT	12	41089	51268	1131		
			HEALTH & HUMAN SVCS	13	50137	62233	1344		
			INTERIOR DEPT	14	56128	70420	1588		
			NASA	15	60519	77331	1868		
			NAVY						
			TRANSPORTATION DEPT						
			US AGENCY INTL DEV						
			ENVIRON PROTECT AGCY						
			NAT TRANSP SAFETY BD						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED, EFFECTIVE 01/01/89. SOME SALARIES IN] [THIS TABLE MAY EXCEED THE STATUTORY MAXIMUM OF 75500] [MED OFF RESEARCH ONLY]								
525	GS-0660 PHARMACIST	LA/SAN BERN CA	NAVY	9	27856	34876	780	01/01/89	R
			AIR FORCE	11	30062	38549	943		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE ,01/01/89.]								
531	GS-0610 NURSE	NATIONWIDE	INDIAN HEALTH SVC	4	17556	21696	460	01/01/89	R
				5	20443	25069	514		
				7	23967	29700	637		
				9	28299	35319	780		
				10	29680	37402	858		
				11	31042	39529	943		
				12	35909	46088	1131		
	[GRADES GS-11 AND GS-12 WERE ADDED TO THIS AUTHORIZATION] [EFFECTIVE 01/01/89.] [ANNUAL REVIEW]								
536	GS-0620 PRACTICAL NURSE	ALASKA	AK NATIVE HEALTH SVC	3	15225	19050	425	01/01/89	R
				4	16627	20938	479		
				5	17569	22384	535		
				6	18434	23807	597		
	[ALL GRADES RECEIVED INCREASES EFFECTIVE 01/01/89.]								
537	GS-0649 MRT/LMS TECH	BILOXI MS	AIR FORCE	9	30396	37416	780	01/01/89	R
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
576	GS-1224 PATENT EXM(ENG)	WASH DC MSA	COMMERCE DEPT	5	20058	24684	514	01/01/89	R
				7	24845	30578	637		
				9	26498	33518	780		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
589	GS-1321 METALLURGIST	NATIONWIDE	AIR FORCE	5	19117	23527	490	01/01/89	R
			ARMY	7	23680	29143	607		
			INTERIOR DEPT	9	26742	33429	743		
			NAT TRANSP SAFETY BD	11	29657	37901	916		
			NAVY						
			SMITHSONIAN INST						
			COMMERCE DEPT						
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								
590	GS-1311 PHYS SCI TECH	MARE ISLAND CA	NAVY	5	20058	24684	514	01/01/89	R
				6	22361	27527	574		
				7	24845	30578	637		
				8	27519	33873	706		
				9	30396	37416	780		
				10	31511	39233	858		
				11	32058	40545	943		
	[GRADES GS-5,6,7,8,9 AND 11 RECEIVED A 4.1 PERCENT INCREASE.] [GS-10 WHICH WAS ADDED TO THIS AUTHORIZATION IS RECEIVING A] [24.9 PERCENT INCREASE, EFFECTIVE 01/01/89. AUTHORIZATION] [LIMITED TO RADIATION MONITORING AND CONTROL POSITIONS ONLY.]								
591	GS-1311 PHYS SCI TECH	HAWAII	NAVY	4	16552	20692	460	01/01/89	R
				5	18001	22627	514		
				6	19493	24659	574		
				7	21659	27392	637		
				8	25401	31755	706		
				9	28057	35077	780		
				10	28950	36672	858		
				11	29229	37716	943		
	[GRADES GS-4,5,6,7,8,9 AND 11 RECEIVED A 4.1 PERCENT] [INCREASE. GS-10 WHICH WAS ADDED TO THIS AUTHORIZATION WILL] [RECEIVE A 14.8 PERCENT INCREASE, EFFECTIVE 01/01/89.] [AUTHORIZATION LIMITED TO RADIATION MONITORING AND CONTROL] [POSITIONS ONLY.]								
592	GS-1311 PHYS SCI TECH	NEW HAMPSHIRE	NAVY	4	17932	22072	460	01/01/89	R
				5	20058	24684	514		
				6	21213	26379	574		
				7	22933	28666	637		
				8	24696	31050	706		
				9	26498	33518	780		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89. AUTHORIZATION LIMITED TO] [RADIATION MONITORING AND CONTROL POSITIONS ONLY.]								
593	GS-1310 PHYSICIST OPTCS GS-0800 ENGR (OPTICS)	KIRTLAND AFB NM	AIR FORCE	9	30396	37416	780	01/01/89	R
				11	34888	43375	943		
				12	38424	48603	1131		
				13	43003	55099	1344		
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE] [WAS INCREASED,EFFECTIVE 01/01/89.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
697	GS-1350 COMP SCIENTIST	WASH DC MSA	COMMERCE DEPT	5	20463	25188	525	01/01/89	R
		DAHLGREN VA	DEFENSE DEPT	7	25343	31193	650		
		ANNAPOLIS MD	HEALTH & HUMAN SVCS	9	27290	34310	780		
		PATUXENT RIV MD	NASA						
			TREASURY DEPT						
			JUSTICE DEPT						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
698	GS-1550 COMP SCIENTIST	NEWPORT RI	NAVY	5	20058	24684	514	01/01/89	R
		NEW LONDON CT		7	24845	30578	637		
				9	28705	35788	787		
				11	31416	39975	951		
				12	36799	46870	1119		

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
903	GS-0986 LEGAL CLK/TECHN	LOS ANGELES CA	COMMOD FUT TRD COMMI	5	19311	23937	514	01/01/89	R
		TERM ISLAND CA	DJ US TRUST EXEC OFF	6	20640	25806	574		
			EQ EMPL OPP COMMISSI	7	21659	27392	637		
			SEC & EXCHANGE COMM						
			TREASURY DEPT						
			DJ US ATTY						
			D LABOR SOLICITOR						
			JUSTICE DEPT						
			NAT TRANSP SAFETY BD						
			FED TRADE COMM						
			FOOD AND DRUG ADMIN						

[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]
[WAS INCREASED,EFFECTIVE 01/01/89.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
904	GS-0986 LEGAL CLK/TECHN	NEW YORK CY NY	COMMOD FUT TRD COMMI	4	16881	21102	469	01/01/89	R
			EQ EMPL OPP COMMISSI	5	18363	23088	525		
			JUSTICE DEPT	6	19882	25147	585		
			LABOR DEPT	7	21443	27293	650		
			SEC & EXCHANGE COMM	8	23750	30230	720		
			TREASURY DEPT	9	25436	32591	795		
			MERIT SYST PROT BD	10	27136	35011	875		
			ARMY						
			VETERANS ADMIN						
			HOUSING & URBAN DEV						

[DEPT OF JUSTICE COVERAGE INCLUDES THE US ATTORNEY'S OFFICE,]
[SOUTHERN AND EASTERN DISTRICT OF NY; EXEC. OFFICE FOR U.S.]
[TRUSTEES AND BUREAU OF PRISONS (MCC).]

SPECIAL PAY RATE

Senator **DeConcini**. What do you require from a Federal agency before you grant a special pay rate?

Mrs. **Horner**. In general, we require two things: First is a finding by OPM, based on data presented by the agency, that the special pay rate is truly needed to ensure adequate recruitment and retention; and, second, a finding by the agency that it has the funds available to pay for the special pay rates.

Senator **DeConcini**. Do you rely on their data?

Mrs. **Horner**. I'd like to ask Claudia Cooley to give you a feel for how we go about that.

Senator **DeConcini**. Ms. Cooley?

Ms. **Cooley**. Yes; Senator. Under the special rates program, we ask for data from agencies about their recruitment and retention problems in the occupations and locations where they are asking for special schedules.

We also ask for data relating to pay competition for similar positions from non-Federal employers, and depending on the source of that data, sometimes we have that data on file and can provide it to the agencies.

So we have ways of helping them out in that regard and also assuring some consistency as we look at these requests.

Many of these authorizations are interagency in nature, and we do try to take a coordinated approach where we have a number of agencies recruiting for the same people in the same places so that we do not end up with one agency getting a rate and simply competing with other Federal agencies on this basis.

So in order to assure consistency, we take an interagency approach and we provide a lot of support to those interagency efforts to come up with the data necessary for the special rate request.

FBI DEMONSTRATION PROJECT

Senator **DeConcini**. You raised an issue that I would really like to ask you about. I think last year you granted the FBI a special pay rate in New York. I am just advised it was done through legislation. Have you seen what effects that has had on other law enforcement in the New York City area?

I would suspect it would be very devastating, but I do not know.

Ms. **Cooley**. Well, let me say, sir, that that proposal started as a legislative proposal to give a 25-percent across-the-board pay raise for FBI employees in New York. In fact, Director Horner and the administration raised some serious concerns about that because of the impact that legislation would have on other Federal employers in the area who had law enforcement kinds of positions.

So the administration, in fact, raised objections to that legislation. Subsequently, the legislation was modified to ask for a study, a joint study, between OPM and the FBI to make some recommendations about what the problems were and what should be done about it. We did look into that, and what we ended up recommending was a demonstration project. This is a temporary demonstration project and it does not involve increases in basic pay.

It involves relocation allowances and retention allowances for FBI agents who are subject to mandatory mobility assignments. In other words, agents who are moving to New York from low-cost areas of the country, because the FBI was having particular problems in the case of agents who really did not want to go from low-cost areas to New York as an assignment because of the extra costs that were incurred by such a relocation.

So we drew the demonstration project fairly narrowly to cover only one group of employees in the FBI, the ones who were subject to special career mobility requirements. Those kinds of requirements were not the same as those of other law enforcement personnel in the New York area.

So we did modify it so that we were taking a more refined approach and one that would be for demonstration purposes only to test a tool that we thought might have merit for application across the Government.

In fact, the administration had proposed using those tools across the Government in legislation that was submitted.

Senator DECONCINI. How many agents would be involved in this? Do you have any idea?

Ms. COOLEY. I do not——

Senator DECONCINI. In your pilot project?

Ms. COOLEY. I do not have the number of agents in New York. In fact, I am not sure that number is publicly available to us.

Senator DECONCINI. I understand that employees who are reassigned to New York who move to an area within a 50-mile radius of the office and agree to remain in the area for at least 3 years, will receive a $20,000 relocation bonus in addition to receiving retention bonuses of up to 20 percent of their rate of basic pay. Is that accurate?

Ms. COOLEY. Yes; that is correct. The 20 percent is not salary though. It is an extra sum that is not part of their annuity calculation, or part of their basic pay.

EFFECT ON OTHER LAW ENFORCEMENT PERSONNEL

Senator DECONCINI. What effect has this had on other law enforcement, do you know?

Ms. COOLEY. Well, to this point we do know that it has been effective in terms of enabling the FBI to fill the vacancies that it had in its New York office and being able to move its agents from other offices around the country to New York.

Previously, they were having an exceedingly difficult time in filling the vacancies that they had in New York. So it has been very successful in that regard.

As far as the impact on other law enforcement personnel in New York, we do know that there are a lot of people that are feeling that they, too, would like to be included in this, but we do not have any data yet in terms of whether it has had an actual impact on recruitment and retention in those other agencies.

Senator DECONCINI. How do you rationalize doing this for the FBI, and not doing it for the DEA, or the Secret Service, or Customs, or some other law enforcement agency?

Ms. COOLEY. Well, let me say again, Senator, that the Reagan administration proposed legislation that would make a similar tool available to all agencies so that all agencies could use allowances and bonuses under certain sets of circumstances.

But the Congress did not take action on that legislation, and we felt that it would be useful to demonstrate that these allowances and bonuses could be useful to agencies in solving staffing problems.

Senator DeConcini. You picked the FBI really as kind of a guinea pig to see how it would work.

Ms. Cooley. Well, the guinea pig was really presented to us by Congress, but we thought it was a good one.

Senator DeConcini. When will you have a report on this, or a final conclusion?

Ms. Cooley. Well, we will be looking at this demonstration starting in December of this year. So it is still quite early—the project started at the end of calendar year 1988, and we are going to be submitting annual reports on it.

Senator DeConcini. So we will get a report after the end of this year or the first of next year?

Ms. Cooley. Yes; and also, we will be looking at this with the National Advisory Commission on Law Enforcement.

I know, Senator, you are involved in that.

Senator DeConcini. Yes.

Ms. Cooley. The Director of OPM is also involved, and we will be looking at this in the context of other law enforcement positions, as well as other problems throughout the Government in other occupational areas.

Senator DeConcini. Thank you very much.

CHILD CARE

Mrs. Horner, to change the subject to child care, at the recent hearings on GSA's appropriation, GSA testified that it was stalled in implementing the new child care program for Federal workers because OPM had not issued any guidelines.

Does OPM have and take the lead in developing child care guidelines, and, if so, what are you doing to provide the necessary guidelines so GSA can move ahead?

Mrs. Horner. Mr. Chairman, in recent years OPM has worked very closely with GSA, especially under GSA Administrator Terry Golden, to support GSA efforts to make available the know-how and the authorities necessary to establish on-site day care centers for Federal employees.

That is something which, as a personnel policy, OPM has been very supportive of, where agency employees want to have that opportunity available to them.

OPM, I believe, will continue to support that kind of opportunity. Frankly, I expect my successor, from all that I know of her, to be eager to explore possibilities for dependent care in the Federal workplace.

Senator DeConcini. Do you issue guidelines?

Mrs. Horner. We have an entire dependent care policy, not as a separate guideline, but as part of an overall policy, which includes leave flexibilities, job sharing, and on-site day care as part of that policy.

Frankly, Senator, I think that having questions arise as to OPM's support of day care really is a function of someone new not knowing quite what the history has been here, which is understandable.

Senator **DeConcini**. Then, you would dispute GSA's testimony as to why it was stalled—that the reason their new child care program is stalled is because they do not have guidelines. You are under the impression that the lack of guidelines would not be the reason.

Mrs. **Horner**. Historically, we have been very supportive of day care in recent years and have every intention of continuing to be.

Senator **DeConcini**. I will take the liberty of sending you that testimony from GSA, and maybe you can make a contact with the Administrator there to see why that has happened. It may be a misunderstanding or something.

Mrs. **Horner**. Perhaps that is the case, and I expect this will be reviewed by the administration under the respective new agency heads.

CONSULTING SERVICES

Senator **DeConcini**. As you know, in fiscal year 1989 Congress limited the amount of funds that could be allocated to consulting services.

I have received a report from OPM about consulting contracts and note that you expect to increase your funding for consulting services by $150,000 in fiscal year 1989, and by another $221,000 in fiscal year 1990.

At a time when Congress has voiced its concern about consulting contracts, why has OPM gone ahead and increased the amount of funding for these?

Why can't you do this work in-house?

Mrs. **Horner**. Mr. Chairman, I would like to ask our Budget Officer, Jack Prebis, to address that issue.

Senator **DeConcini**. Mr. Prebis.

Mr. **Prebis**. Mr. Chairman, the need for the increase in consulting contracts has to do with a number of the demonstration projects that we are working on, particularly in the pay area.

These efforts had not quite gotten underway until this last year. The base year was really a low point in terms of our consulting services.

Senator **DeConcini**. Is there a reason why you cannot develop some of this expertise in-house?

You are asking for an increase here by 1990. You have $1.1 million from $876,000 in 1989. That is a pretty big jump.

Mrs. **Horner**. Mr. Chairman, part of that is to fund a study into locality pay, which requires an expertise that would be uneconomical for us to develop in-house unless we were fairly certain that the Government was going to go forward with a locality pay methodology, which is not a conclusion that has been reached yet.

But may we provide you with a further explanation of that increase for the record?

Senator **DeConcini**. Yes.

[The information follows:]

FISCAL YEAR 1990 CONSULTING SERVICES PLAN

OPM's total fiscal year 1990 consulting services budget for all funds is $1,100,000. This is an increase of $224,000 over our fiscal year 1989 plans. The following table provides a breakdown by fund source. Less than one-third of our consulting services budget is funded by the Salaries and Expenses appropriation.

	Fiscal year—		
	1988	1989	1990
Salaries and expenses	$281,000	$377,000	$362,000
Reimbursable program	281,000	409,000	588,000
Revolving fund	64,000	90,000	150,000
Total	$626,000	$876,000	$1,100,000

OPM's Salaries and Expenses program uses consultants to assist primarily in studies, analyses, and evaluations of pay and benefit issues as they relate to recruitment and retention problems. The fiscal year 1990 level, while not reflecting an overall increase, does include one-time funding of a study to identify long-range ADP requirements for acquiring and operating information technology systems.

The major increases in consulting services since fiscal year 1988 have been in OPM's reimbursable programs with increases in actuarial support for the Federal Employees' Retirement System [FERS] and continuing projects for the FERS Automated Processing System, and the reimbursable programs' share of the one-time study in fiscal year 1990 to identify long-range ADP requirements.

The Revolving Fund Presidential Management Intern Program uses consultant services in conjunction with the selection of participants. The increase here reflects the growth in this program Governmentwide.

COST BENEFIT ANALYSIS

Senator DECONCINI. Do you do a cost benefit analysis before you contract for consulting services?

Mr. PREBIS. A cost benefit analysis is done in a number of cases; yes, sir. We will be happy to give you the information on the differences in the increase in the expenses for consulting services between the base year——

Senator DECONCINI. What happens if you do not get this money? What are you going to do?

Mr. PREBIS. Some of the contracting efforts in locality pay, and the demonstration projects, would have to be curtailed.

Mrs. HORNER. We would lose information we view as very important to the policymaking process.

Senator DECONCINI. Which ones would you curtail?

Mr. PREBIS. I would not be able to tell you that at this point, Senator. We will be happy to give you that information for the record.

Senator DECONCINI. Would you be so kind as to give us that information, please?

Mr. PREBIS. Yes, sir.

Senator DECONCINI. I would just like to know what you would do if you did not get the money. I am not suggesting that we are not going to give it to you, but I am just interested in what you would actually lose here that you could not handle.

Mr. PREBIS. We will be happy to provide that for the record.

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. Very good. I have no further questions. I think Senator Domenici has some questions which we will submit for the record, Mrs. Horner.

Thank you again, and good luck to you in your new position.

Mrs. **Horner**. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

Q. Does OPM intend to issue new regulations concerning the CFC? When? If yes, I strongly encourage OPM to send a draft of the proposed regulations to this Subcommittee prior to their issuance.

A. OPM has not made any final decisions with respect to proposing regulatory changes affecting the Combined Federal Campaign, although there are some areas where we believe improvements could be made. However, at this point, it is difficult to say with any certainty when a decision on seeking regulatory improvements will be made. Nevertheless, we are keenly aware of the Subcommittee's interest in the CFC and would expect to continue, as we have in the past, our efforts to maintain strong lines of communication.

Q. What steps will OPM take to continue the oversight of the CFC to determine that it is operated in a fair and equitable manner for all participants?

A. OPM is taking a variety of actions to insure that the CFC is conducted in a fair and equitable manner. These include the following:

- OPM has established an "ad hoc" committee of the executive directors of the national federations. This group's purpose is to develop recommendations to OPM on better ways to operate the CFC. It is also an opportunity for these groups to set an example at the national level of the cooperation that is necessary for a better CFC at the local level.

- The CFC audit program which the Congress mandated in OPM's FY 1989 appropriations is on schedule. OPM has appointed an individual, formerly with the GAO, to manage this program. An audit plan has been developed; bids from local CPA firms will be solicited during the month of May; and the audits should be conducted from June to September. Besides these audits that the Congress has authorized, OPM is also conducting audits and evaluations on its own.

- To insure that local campaign officials are following the required procedures and to have OPM receive feedback from local campaign officials, OPM has conducted a number of workshops throughout the country.

Q. We understand that OPM has, during the last year, begun to issue opinions concerning the conduct of the campaigns and to distribute these opinions to the various campaigns. Will these opinions and other guidance on the CFC continue? Will they be distributed through a CFC mechanism or through one of the participating federations?

A. OPM will continue to issue CFC Opinions through the CFC network. Federations are given advance copies of these Opinions, as they are given advance copies of other CFC materials, to distribute to their members.

Q. We understand that, with OPM's encouragement, an ad hoc national committee of representatives of federations now meets to exchange views and attempts to reach a consensus on proposals to submit to OPM for improving the campaign. Does OPM intend to continue to encourage local cooperative meetings of the federations representing the participating agencies?

A. OPM has encouraged local campaigns to emulate the cooperation that has resulted at the national level by the establishment of the national "ad hoc" committee at the local level. In the regional workshops, other speaking events, and in written guidance OPM has urged local CFCs to work with all interested parties, local federations and local agencies, to develop a cooperative approach that insures that all groups are treated fairly and have an opportunity to be heard.

Q. I understand that the federations participating in the campaign will soon be asking President Bush to take a more active and personal role and leadership in the CFC. Do you support these federations' efforts?

A. We are aware that the national federations are currently considering contacting the President. The Executive Office of the President has traditionally been most supportive of the Combined Federal Campaign, a support I certainly anticipate will continue. OPM will be placing greater emphasis on the campaign publicity in the 1990 CFC to better emphasize the incredible generosity of the Federal donor over the years. We hope that through such improved campaign publicity those who have chosen not to participate in the past will see the tremendous amount of good that can come from their generosity. As we undertake this effort, we certainly welcome any input from the federations.

Q. Your proposed fiscal year 1990 budget includes an increase of $5.7 million and 24 full time equivalent positions over your FY 89 enacted level of funding for the salaries and expenses account of OPM. The largest increase, $3.985 million, is for "Other Programs" which includes an increase of $3.5 million for funding of the Federal Executive Boards; an increase of $200,000 for the President's Commission on Executive Exchange; an increase of $51,000 to expand your data base system; an increase of $25,000 to provide travel funds for new Commissioners; and increase of $26,000 to improve the recruitment of the White House Fellows; and an increase of $210,000 to increase observers under the Voting Rights Act.

First, can you tell me why OPM will be fully funding the Federal Executive Boards in fiscal year 1990? How does the FY 90 proposed funding level for the Executive Boards compare to the FY 89 funding which came from the various agencies?

Secondly, why is an increase necessary to improve the recruitment of White House Fellows? Have the number of applicants under this program been declining, and if so, why? What activities do you plan to undertake to improve recruitment?

Why do you need to increase the number of observers to examine and maintain accurate voting lists in the United States?

A. It is the consensus of OPM, OMB, and the President's Council on Management Improvement that OPM assume the funding responsibility since it has the authority for the functions of the Boards. The establishment of a permanent funding mechanism will preclude annual funding negotiations with various agencies and, therefore, provide for the smooth and effective operation of the Boards. It has been our experience that the activities and effectiveness of those Boards in financial difficulty have been interrupted by the uncertainty of funding.

Both the FY 89 funding from various agencies and the proposed FY 90 OPM funding cover the salaries and benefits of 2 FTE's per Board (total of 52 FTE's), travel, and other object costs. The FY 90 proposed funding level also includes one-time limited funding for associated start-up costs as needed and central office oversight.

The White House Fellowships Program has requested an increase in funds for recruitment efforts for two reasons. First, it would like to increase the number of applications to the levels of the late 1970's and early 1980's (1,000-1,200). Second, the Program would like to expand the breadth of the applicant pool to contain a higher percentage of women and minority groups. This goal is particularly important. The White House Fellowships Program was established twenty-five years ago to enhance the leadership skills of the Nation's future leaders. It is important that leaders from all segments of society take advantage of this unique opportunity to understand Federal policy-making and enhance their leadership abilities.

Over the last several years there has been a noticeable decline in the number of applicants to this Program and to most other mid-career fellowship programs. There are many possible explanations for this pattern. Foremost among them is the fact that the applicant would necessarily experience a decrease in salary when becoming a White House Fellow. Additionally, the disruption in the style of family living is a consideration for many candidates. A decrease in the visibility of the Program could also be attributed to the methods used to advertise the opportunity, and a perceived lessening of interest in careers in public service.

In order to improve the methods of recruitment, the Commission is developing an outreach program that should attract women, minorities, and individuals from under-represented professional fields in general.

Presently, the Commission is using better targeted mailing lists to reach these groups and has improved the design of the materials describing the Program so that it will have a greater appeal to those the Commission wishes to attract. Even though it is early in the 1989-90 recruitment year, the Commission is presently experiencing an increase in telephone inquiries requesting information concerning the Program. However, for the reasons mentioned above, additional funding is required to expand these outreach efforts.

OPM's FY 90 budget includes an increase of $210,000 to fund the costs of an additional 194 Voting Rights observers. We are not requesting additional funding to maintain voting lists. OPM is required to send observers to election sites, in numbers determined by the Department of Justice prior to the actual elections. Prior to such observations, general guidance is received from the Department of Justice on the anticipated scope of election site coverage.

The projected coverage, however, can vary. The Department of Justice's investigations of jurisdictions covered under the Act yield evidence of possible discriminatory practices which can vary from election to election and jurisdiction to jurisdiction because of election-specific and other unpredictable variables. To determine the budget request for this program, OPM used historical data (in this case based on Congressional, non-Presidential election years).

Q. Can you tell the Committee which agencies have requested special pay rates and the disposition of each request? If the requests were denied, please explain why they were denied.

A. Every major agency has either requested or has been part of a request for special rates. For FY 1989, requests that were denied are as follows:

(1) Grand Jury Reporter GS-986-5/6/7 in New York City. Positions were misclassified.

(2) Closed Microphone Reporter GS-319-5/6/7/8/9 at Fort Ord, California. No demonstrated staffing problem.

(3) Police GS-083-5/6/7 at Fort Knox, Kentucky. No demonstrated staffing problem.

(4) Police GS-083-5/6/7 in Denver, Colorado. No demonstrated staffing problem.

In several additional cases, we approved salary increases that were lower than requested.

We have 215 approved special salary rates in effect. A list of these authorizations is attached.

Q. I understand that OPM has told the New York Federal Executive Board that the authority to grant special pay requests could not cover the requested 25 percent adjustment for New York City Federal employees. Could you explain why?

A. OPM did not tell the New York Federal Executive Board that the authority to grant special pay requests could not cover the 25 percent adjustment proposed for Federal employees in New York City. OPM did say that the authority is not intended to cover large across-the-board increases. It is intended to address specific occupations, grades, and locations that are experiencing staffing difficulties.

If there were sufficient recruitment or retention problems and pay disparities for all of the occupations and grades in New York and the agencies had the money to pay the higher salaries, it might indeed be possible to grant increases to all General Schedule employees in New York under the special salary rate authority. However, the data show that there is considerable variation in the degree and nature of the problems among occupations and grades. Even more importantly, the major employers in New York have indicated that they simply cannot absorb a 25 percent across-the-board increase within existing budgets. Some cannot afford increased salaries even for occupations for which they are experiencing critical staffing shortages.

Q. Health insurance premiums for Federal employees and retirees increased on an average of 26 percent in 1988 and so far this year. They are also expected to increase at a similar rate in the next year.

It is my understanding that OPM held a conference on health benefit reform last year and also issued findings and recommendations from a report you commissioned on reforming the health benefits program. The Senate Governmental Affairs Committee and the House Post Office and Civil Service Committee have indicated that Federal Employees Health Benefits Program reform are top items on their agenda.

President Bush's FY 90 Budget, however, proposes a major reduction in the Federal Government's contribution to employee and annuitant health insurance for an estimated savings of $1.2 billion on 1990. While that is a significant amount of money which could be useful in lowering the budget deficit, don't you feel it is shortsighted to take a step like this at this time when OPM and Congress are making great progress towards reforming the entire Federal Employees Health Benefits Program? Do you not feel that long-term reform of the Program would yield greater benefits for both the Government and the Federal employees and retirees than simply cutting the Government's contribution?

A. The reforms proposed under the FEHB Program are designed to halt the shift of costs from the employee to the Government that prevails under the current "Big Six" formula used to calculate the Government's contribution toward health benefits and to eliminate some the existing subsidies to the Postal Service and D.C. government. Both proposals would be compatible with a number of FEHB Program designs. Their enactment should in no way conflict with the pursuit of other needed reforms of the FEHB Program.

Q. The Volcker Commission, in its recent report, urges the Administration and the Congress to implement locality-based pay. I understand that a similar proposal was defeated in 1982. At that time, the number of employees whose pay would have been reduced exceeded the number of employees whose pay would have been increased by a locality-based pay structure. What is the situation today? In your estimation, what percentage of the Federal workforce would experience an increase if locality-based pay is instituted? What would be the estimated costs?

A. It is much too early in our developmental efforts to make such estimates. We are investigating a number of models which would be sensitive to geographic and/or occupational labor markets. Until these research efforts have progressed further, percentage and dollar estimates would be pure speculation. We do not foresee anyone encountering an actual pay reduction in moving to market-based pay.

Q. Last year the Committee included language in the FY 89 Treasury appropriation bill requiring all Federal agencies to provide us with a report on their employees who were detailed to other agencies. I have received a copy of the OPM report which indicates that 47 OPM employees were detailed to other agencies in FY 88. The report, however, does not indicate the amount of time these individuals were on detail or whether or not they were on reimbursable or non-reimbursable detail.

Could you please provide to us, for the record, the time frames these individuals were on detail in FY 88 and whether or not the detail was reimbursable versus non-reimbursable. Can you also provide this same information for FY 89?

How many other agency personnel were on detail to OPM during FY 88? Can you provide the Committee with the same information as above with respect to these personnel?

A. The requested information is provided in reports covering fiscal year 1988 and the first six months of fiscal year 1989 (copies attached).

REPORT OF DETAILS FROM EXECUTIVE AGENCIES TO OPM
OCTOBER 1988 TO MARCH 1989

EXECUTIVE AGENCY	NAME	POSITION	GRADE	#R/N	DATES OF DETAIL	OFFICE
Environmental Protection Agency	Carillo, Jerry	------	GS-15	N	10/1/88 to 6/10/89	CO
Federal Deposit Insurance Corporation	Sidlund, Deborah	Executive Assistant	GS-301-12	R	12/12/88 to 3/8/89 3/9/89 to 6/9/89	CO
Department of Labor Bureau of Labor Statistics	Weathan, Felicia	Statistician	GS-110-12	R&N	3/26/89 to 6/9/89	CO
Department of Interior National Park Service	Scow, Leva	Employee Dev. Spec.	GS-235-12	R	2/6/89 to 5/30/89	CH
General Services Administration Office of Administration	Stephens, William	Staff Assistant	------	N	2/28/89 to 4/21/89	CO
International Development Cooperative Agency Personnel & Financial Management Bureau	Wolf, Donna	------	------	N	3/27/89 to 5/26/89	CO

#R=Reimbursable
N=Nonreimbursable

REPORT ON DETAILS TO EXECUTIVE AGENCIES
OCTOBER 1988 TO MAY 1989

OFFICE	NAME	POSITION	GRADE	EXECUTIVE AGENCY	#R/N	Dates of Detail
SF	Dawson, Wendell J.	Pers. Staff. Spec.	GS-212-11	Department of Agriculture Forest Service	R	10/3/88 to 11/18/88
SF	Dea, Diana	Personnel Clerk	GS-203-7	Department of Agriculture Forest Service	R	10/21/88 to 10/29/88
PH	DiPasqualle, Theresa	Staffing Clerk	GS-203-4	Defense Contract Audit Agency	R	1/1/89 to 2/4/89
CO	Eiland, Cheri	Secretary	GS-318-5	Commission on Executive, Legislative and Judicial Salaries	R	11/21/88 to 12/5/88
DA	Elund, Eric C.	Employee Dev. Spec.	GS-235-12	Department of Interior National Park Service	R	4/10/89 to 6/9/89
DA	Evans, John M.	Visual Infor. Spec.	GS-1084-11	Department of Treasury Internal Revenue Service	R	11/14/88 to 11/23/88
DA	Mollick, Suzanne L.	Classification Spec.	GS-221-11	Environmental Protection Agency	R	5/15/89 to 8/11/89
AT	Jackyves, Memmett J.	Pers. Mgmt. Spec.	GS-201-13	Centers for Disease Control	R	4/9/89 to 6/3/89
AT	Jordan, Deborah M.	Pers. Staff. Spec.	GS-212-11	Centers for Disease Control	N	10/3/88 to 11/11/88

#R=Reimbursable
N=Nonreimbursable

OFFICE	NAME	POSITION	GRADE	EXECUTIVE AGENCY	R/N	Dates of Detail
PH	Kelly, Colleen	Employee Dev. Spec.	GS-235-7	Defense Contract Audit Agency	R	4/2/89 to 4/9/89
CH	Konning, Richard	Investigator	GS-1810-12	Department of Energy	R	2/12/89 to 5/20/89
CO	Mantho, Mary K.	Deputy Director, Office of Congressional Relations	ES-1	Department of Health and Human Services	N	4/10/89 to 6/8/89
CO	McKnight, Donrie G.	Payroll Technician	GS-544-7	Executive Office of the President Office of Administration	N	11/21/88 to 6/18/89
PH	McVey, Linda	Pers. Staff. Spec.	GS-212-7	Defense Contract Audit Agency	R	2/5/89 to 2/24/89
PH	Moto, Mark	Per. Mgmt. Spec.	GS-201-7	Defense Contract Audit Agency	R	5/14/89 to 6/10/89
CH	Perez, Cynthia D.	Investigator	GS-1810-11	Department of Energy	R	11/6/88 to 2/25/89
CH	Sanders, Joyce L.	Investigator	GS-1810-11	Department of Energy	R	10/3/88 to 5/12/89
PH	Sorce, Richard	Pers. Staff. Spec.	GS-212-7	Defense Contract Audit Agency	R	6/11/89 to 7/8/89**
CH	Vent, Patrick L.	Investigator	GS-1810-11	Department of Energy	R	11/6/88 to 11/12/88

**Continuing detail after Mark Moto

REPORT ON DETAILS FROM EXECUTIVE AGENCIES TO OPM
OCTOBER 1987 TO SEPTEMBER 1988

EXECUTIVE AGENCY	NAME	POSITION	GRADE	*R/N	Dates of Detail	OFFICE
Department of Defense Defense Investigative Services	Bair, Sally	Investigator	GS-1810-9	N	6/88 to 9/88	CO
Department of Defense Defense Investigative Services	Bradley, David	Investigator	GS-1810-11	N	6/88 to 9/88	CO
Environmental Protection Agency	Harper, Kirke	Director, Office of Executive Personnel	ES-5	R	7/19/87 to 9/30/87 10/1/87 to 9/30/88 10/1/88 to 4/1/89 4/2/89 to 6/9/89	CO
Department of Defense Defense Investigative Services	Knight, Leslie	Investigator	GS-1810-12	N	6/88 to 9/88	CO
Department of Defense Defense Investigative Services	Prince, Richard	Investigator	GS-1810-12	N	6/88 to 9/88	CO
Department of Defense Defense Investigative Services	Weber, Julius	Investigator	GS-1810-11	N	6/88 to 9/88	CO
Department of Defense Defense Investigative Services	Wells, Michael	Investigator	GS-1810-11	N	6/88 to 9/88	CO

*R=Reimbursable
N=Nonreimbursable

REPORT ON DETAILS TO EXECUTIVE AGENCIES
OCTOBER 1987 TO SEPTEMBER 1988

OFFICE	NAME	POSITION	GRADE	EXECUTIVE AGENCY	R/N	Dates of Detail
PH	Beccia, Phillip J.	Pers. Mgmt. Spec.	GS-201-13	Department of Transportation Transportation Systems Center	R	3/28/88 to 6/28/88
DA	Brown, Jane	Pers. Staff. Spec.	GS-212-11	Department of Interior National Park Services	R	5/2/88 to 5/13/88
DA	Cerno, Margaret	Supvy. Pers. Staff. Spec.	GS-212-12	Department of Energy	R	4/11/88 to 7/23/88
DA	Clemmons, Rance	Pers. Staff. Spec.	GS-212-12	Department of Treasury Internal Revenue Service	R	4/11/88 to 5/11/88
PH	Coyle, James E.	Pers. Staff. Spec.	GS-212-11	Department of Army	R	4/10/88 to 5/22/88
DA	Cromwell, William S.	Pers. Staff. Spec.	GS-212-11	Western Area Power Administration	R	4/11/88 to 9/7/88
PH	Davis, Clarence Jr.	Investigator	GS-1810-11	Department of Energy Pittsburgh Naval Reactors Office	R	1/1/88 to 3/19/88 3/20/88 to 6/17/88
DA	Davis, Jesse G., Jr.	Supvy. Pers. Mgmt Spec.	GM-201-14	Department of Army Army Ammunition Plant	R	4/25/88 to 5/20/88
CO	Eisenhart, Larry	TAP Program Officer	ES-301-3	Administrative Office of U.S. Courts Department of Health and Human Services	R R	1/4/88 to 7/1/88 7/2/88 to 8/13/88
CO	Fehrer, Douglas G.	Staff Assistant	GS-303-8	Executive Office of the President Presidential Personnel	N R	12/7/87 to 6/4/88 6/5/88 to 2/10/89
SF	Fortenberry, Edward	Pers. Staff. Spec.	GS-212-9	Department of Defense Military Traffic Mgmt Command Oakland Army Base	R	2/1/88 to 4/8/88
DA	Ginn, Aleta J.	Secretary	GS-318-5	Federal Aviation Administration	R	4/11/88 to 6/10/88
CH	Gurecki, Arthur T.	Investigator	GS-1810-12	Nuclear Regulatory Commission	R	1/31/88 to 4/2/88 5/2/88 to 6/24/88
CO	Guss, Edward	Deputy Assoc. Director for Administration	ES-5	Department of Navy	R	7/17/88 to 7/19/88
DA	Haist, Mark W.	Pers. Staff. Spec.	GS-212-11	Department of Interior Bureau of Indian Affairs	R	2/16/88 to 7/1/88
PH	Hakanson, Richard J.	Investigator	GS-1810-11	Department of Energy Pittsburgh Naval Reactors Office	R	1/19/88 to 3/25/88
AT	Heath, Timothy P.	Pers. Mgmt. Spec.	GS-201-11	Department of Air Force	N	4/5/88 to 7/22/88
DA	Johnson, Jane M.	Pers. Staff. Spec.	GS-212-11	Department of Treasury Internal Revenue Service	R	4/4/88 to 9/30/88
DA	Kessee, Gina L.	Staffing Clerk	GS-203-4	Federal Aviation Administration	R	4/11/88 to 7/8/88
PH	Leitao, Anna M.	Pers. Staff. Spec.	GS-212-9	Department of Interior National Park Service	R	4/25/88 to 5/27/88
CO	Maltz, Albert	TAP Program Officer	ES-301-4	Nuclear Regulatory Commission	R	10/1/87 to 9/30/88 10/1/88 to 4/30/89 5/1/89 to 9/30/89

OFFICE	NAME	POSITION	GRADE	EXECUTIVE AGENCY	R/N	Dates of Detail
CD	McElhone, Donald H.	Program Analyst	GS-345-14	Merit Systems Protection Board	R	4/25/88 to 10/15/88
PH	McNally, Patrick J.	Pers. Staff. Spec.	GS-201-13	Department of Transportation Transportation Systems Center	R	3/25/88 to 6/28/88
AT	Melton, John W.	Pers. Mgmt. Spec.	GS-201-9	General Services Administration	N	4/4/88 to 7/22/88
DA	Menapace, Diane	Investigator	GS-1810-7	Department of Energy Federal Investigations Division	R	8/15/88 to 9/30/88
CD	Merkle, Melanie	Special Assistant	GS-301-7	Office of Management and Budget	N	10/11/87 to 10/17/87
CD	Meyer, Thomas H.	Supvy. Pers. Mgmt. Spec.	GM-201-15	Office of the Secretary of Defense Pentagon	R	2/1/88 to 4/30/88 5/1/88 to 7/30/88
CH	Nordrum, James F.	Investigator	GS-1810-11	Department of Energy	R	12/5/87 to 1/29/88
SF	Philbin, Edward J.	Test Administrator	GS-303-4	Department of Defense Naval Postgraduate School Monterey	R	2/23/88 (1 day detail)
CD	Pugh, John H.	Pers. Staff Spec.	GS-212-13	House Appropriations Committee	R	1/5/87 to 1/4/88 1/5/88 to 1/14/89
DA	Rogers, Brenda J.	Staffing Clerk	GS-203-4	Federal Aviation Administration	R	4/11/88 to 7/1/88
CD	Roscoe, William R.	Supvy. Pers. Staff. Spec.	GM-212-13	House Appropriations Committee	R	1/5/87 to 7/4/88 1/5/88 to 1/14/89
AT	Scott, Kevin W.	Pers. Mgmt. Spec.	GS-201-9	Department of Navy	N	4/18/88 to 9/9/88
CD	Shell, Robert E.	Supvy. Public Info. Spec.	GM-1035-14	General Services Administration Cooperative Admin. Support Unit	N	11/2/87 to 9/30/88 10/1/88 to 1/28/89
PH	Smith, Gary L.	Pers. Mgmt. Spec.	GS-201-13	U.S. Commission on Civil Rights	R	4/25/88 to 6/23/88
SF	Spellman, Carol A.	Personnel Clerk	GS-203-3	Department of Treasury Internal Revenue Service	R	4/4/88 to 4/8/88
DA	Stuhlman, Jeffrey	Investigator	GS-1810-9	Department of Energy Federal Investigations Division	R	8/15/88 to 9/30/88
SF	Thompson, Penny J.	Pers. Staff. Spec.	GS-212-9	Department of Defense Military Traffic Mgmt Command Oakland Army Base	R	11/30/87 to 1/29/88
CD	Vaughn, Charles E.	Pers. Mgmt. Spec.	GS-201-14	State Department	R	5/9/88 to 8/6/88
AT	Wales, Terri L.	Pers. Mgmt. Spec.	GS-201-9	Department of Army	N	4/14/88 to 7/21/88
DA	Walker, Faye A.	Pers. Mgmt. Spec.	GS-201-13	Environmental Protection Agency	R	4/18/88 to 9/30/88
DA	Williams, Debra	Investigator	GS-1810-7	Department of Energy Federal Investigations Division	R	8/15/88 to 9/30/88

*R=Reimbursable
N=Nonreimbursable

Q. Are you in support of locality-based pay?

A. OPM believes that the monolithic General Schedule pay system is not functioning effectively and needs to become more market-sensitive. While we have not reached conclusions on the form of an alternative structure, we have a major research initiative underway to assess:

1. The magnitude of occupational and geographic variations in salaries for major categories of white-collar workers;

2. Private sector practices for adjusting white-collar salaries by occupation and location; and

3. Mobility patterns and turnover rates for the Federal white-collar workforce.

Once this information is collected, analyzed, and discussed with interested parties, we will formulate proposals for restructuring the white-collar pay system.

Q. Do you think it would cause inequities at the boundaries of the pay areas designated as high-cost areas similar to the type of experience in Baltimore when the Washington, D.C., clerical employees received a special pay increase but Baltimore clerical employees did not?

A. The geographic boundary lines for each special rate authorization are recommended by the employing agency(ies) based on an assessment of the area in which the agency is experiencing staffing problems for the occupation to be covered by the higher rates. Consequently, boundary determinations for special rates are usually the result of agency examination of such factors as (1) the geographic features and locations of Federal facilities, (2) the sources of qualified workers for the occupation, (3) transportation facilities and commuting patterns, and (4) other related labor market characteristics. Along the same line, the blue-collar Federal Wage System has successfully operated on a locality basis for many years. With most employees concentrated in metropolitan areas or large Federal installations, "boundary disputes" are the exception rather than the rule.

Q. During February of this year you awarded a contract to the Wyatt Company of Philadelphia, PA., to conduct research on locality-based pay. When will this research be completed and what type of analysis do you expect to receive?

A. On February 17, 1989, OPM let a contract to the Wyatt Company to assist OPM in considering the possibility of a more flexible, new market-sensitive pay system. The Wyatt study will include:

- Analyzing OPM's extensive data base on private sector pay and comparing it to pay data on Federal jobs to identify the frequency and scope of pay differences by location and occupation;

- Collecting information on private sector pay system practices;
- Identifying alternative approaches for restructuring the Federal pay system to reflect appropriate labor markets; and
- Designing, modeling, and costing one or more pay system alternatives.

The final Wyatt report is expected at the end of July. OPM staff is working closely with the contractor in developing models and alternatives. After a review of Wyatt's findings, as well as the views of other interested parties, we anticipate development of alternative approaches for reforming the pay system.

Q. What is the total proposed travel budget for the Office of Personnel Management in fiscal year 1990? How does this amount compare to that funded in fiscal year 1989? If there is an increase or decrease, please provide a justification.

A. OPM's total FY 1990 travel budget for all funds is $11,253,000. This is an increase of $1,427,000 over our FY 1989 plans. The following table provides a breakdown by fund source. Less than 20 percent of this travel is funded by the Salaries and Expenses appropriation.

	FY 1989	FY 1990	Change
OPM Salaries and Expenses	$1,736,000	$2,234,000	$498,000
OPM Reimbursable Program	661,000	462,000	-199,000
Inspector General, S & E	*	150,000	150,000
Inspector General, Reimbursable program	*	300,000	300,000
OPM Revolving Fund	7,429,000	8,107,000	678,000
Total	$9,826,000	$11,253,000	$1,427,000

*Included in OPM's Salaries and Expenses and reimbursable programs in FY 89.

In FY 1990, OPM's Salaries and Expenses appropriation included for the first time direct funding of the Federal Executive Boards. Approximately half ($250,000) of the Salaries and Expenses increase is FEB travel. We budgeted an increase of $70,000 for Voting Rights observation travel which we perform at the direction of the Department of Justice, and an increase of $40,000 in our Personnel Systems and Oversight activity to fund needed travel for our agency evaluation, research and demonstration projects, and pay programs. The remaining $138,000 is for planned increases in program travel and inflation.

The decrease in reimbursable program travel reflects the transfer of auditing health benefit carriers to the Office of Inspector General's reimbursable programs.

The Inspector General's request is based on the transfer to and expansion of responsibilities assigned that office by Public Law 100-504, the Inspector General Act Amendments of 1988.

The increase in travel for OPM's Revolving Fund is part of the $8,440,000 and 162 FTE increase required to conduct an additional 17,795 background investigations and eliminate the case backlog in this area.

Q. Your FY 90 proposed budget for mandatory payments activities is reduced by $519,000 and 10 full-time equivalents from the FY 89 enacted funding level. I see in your budget justification that $303,000 and 8 FTE's are being reduced due to a decrease in the number of Presidential Management Interns within the Office of Personnel Management. Why are Presidential Management Interns declining? Was this a conscious decision on the part of OPM or does the number of applicants simply appear to be declining? Please explain.

A. We strongly support both the Governmentwide Presidential Management Intern Program that we manage, and the hiring of Interns within OPM. To encourage individual organizations within OPM to experience the benefits of using Interns and to encourage mobility within OPM, we centrally fund the cost of eight new interns each year for a total of sixteen centrally-funded interns at one time. (Internships last two years). Because funds were available in FY 88, we increased the number of new centrally-funded interns to sixteen for a total of twenty-four in that category. In FY 89 we returned to central funding of eight new interns per year. Counting the sixteen second-year interns, twenty-four are centrally funded in FY 89. The planned reduction in centrally-funded interns does not limit the hiring of additional interns by individual OPM organizations, nor does it affect OPM's overall strategy to strengthen the Intern Program Governmentwide.

Q. Your proposed budget for "Reimbursements to Salaries and Expenses" is expected to increase by $5.706 million in fiscal year 1990. I see you also propose a reduction of 58 full-time equivalent positions from these activities in FY 90. Why will the reduction in full-time staffing result in FY 90?

The largest increase in this account is for retirement and insurance activities--an increase of $5.317 million over the 89 funded level. Please explain why this sizeable increase is needed in FY 90.

A. The changes in full-time equivalent positions (net reduction of 58 positions) are outlined on pages 34 and 35 of our budget justification (copy attached).

An increase of $5.317 million over the FY 89 level is required to fund costs associated with implementing the Federal Employees Retirement Automated Processing System ($4.8 million), processing added workloads associated with the Medicare Catastrophic Act and alternative annuity refunds ($2.175 million), developing reform initiatives for the Federal Employees Health Benefits Program ($.2 million), and reducing the current backlog of disputed health benefit claims ($.13 million). These additional costs will be offset by the transfer of the insurance audit function to the Office of the Inspector General (-$1.278 million), elimination of one-time space renovation and systems furniture investments (-$.5 million), and savings resulting from actions taken in response to OMB Circular A-76 (-$.21 million).

Resource Changes

An increase of $4,800,000 and 4 FTE to fund the initial design and implementation of the FERS Automated Processing System (FAPS). A total of $11,800,000 in no year authority is requested in FY 1990 to provide OPM sufficient resources to continue contracting initiatives for the establishment of a modern centralized recordkeeping system.

An increase of $2,175,000 and 34 FTE to process growing FERS and CSRS workloads and additional workloads associated with changes in lump sum payments, implement the Medicare Catastrophic Act and improve the quality and timeliness of retirement processing.

An increase of $200,000 and 5 FTE to support reform initiatives in the Federal Employees Health Benefit program.

An increase of $130,000 and 5 FTE to reduce the backlog of disputed health benefit claims.

A decrease of $1,278,000 and 21 FTE as a result of the transfer of health and life insurance audit functions to the Office of the Inspector General.

A decrease of $500,000 in investments for systems furniture and space renovations.

An increase of $359,000 and 5 FTE in the reimbursable programs share of the cost of providing additional personnel assistance to clients ($145,000) and expanded space renovation efforts ($214,000).

An increase of $64,000 in the reimbursable programs share of the cost of regional direction.

An increase of $739,000 and 1 FTE as the reimbursable programs share of the cost of replacing inadequate telecommunications equipment, work stations and cabling ($179,000 and 1 FTE), contract maintenance for key procurement, financial and administrative systems ($219,000), correct facility and security weaknesses and disaster recovery programs ($203,000), and study future ADP requirements ($138,000).

A decrease of $510,000 and 9 FTE as a result of a change in reimbursable program's share of administrative services, ADP services and executive services.

An increase of 3 FTE to perform building maintenance financed through the General Services Administration's Federal Building Fund.

A decrease of $340,000 and 68 FTE as a result of making greater use of private sector resources in OPM's reimbursable programs.

A decrease of 4 FTE as a result of fewer examinations for Federal Aviation Administration applicants; a decrease in funding associated with this is offset by increases in less labor intensive activities.

A decrease of $688,000 and 13 FTE as a result of the transfer of resources for the Office of Inspector General to a separate appropriation.

A decrease of $113,000 as a result of increases in rent costs offset by the transfer of mandatory payment costs to the Office of the Inspector General appropriation.

Q. You are proposing an increase of $1.43 million and 25 full-time equivalent positions for the Personnel Systems and Oversight activities in fiscal year 1990. Of this amount, $716,000 and 13 FTE's are requested for the Agency Compliance and Evaluation Program to enhance agency self-evaluation. What types of activities does OPM plan to undertake with these funds in fiscal year 1990 and why is this increase necessary? Will this study be conducted in-house or be contracted out?

A. Increased funding for Agency Compliance and Evaluation is necessary to support two major initiatives. These are to enhance agency self-evaluation activities and to increase OPM oversight of agency use of delegated personnel authorities.

In FY 90, OPM will increase the time spent by its evaluators onsite at agency installations by 25 percent over FY 88. Increased activity will take place to improve personnel management effectiveness at the installation level; to correct identified problems of compliance with law and regulation, including merit system violations; to analyze significant concerns in the operation of personnel programs Governmentwide and at the agency and installation levels; and to build more effective agency internal personnel management evaluation programs.

As more personnel authorities are delegated to agencies and for more effective Federal personnel management generally, it is imperative that agencies become more capable in overseeing their own personnel programs. More effective internal agency oversight will help ensure that delegated authorities are used properly and meet their intended purpose of furthering mission accomplishment. Both GAO and MSPB have called on OPM to expand its oversight efforts to ensure proper use of delegated authorities.

Q. I see you also propose an increase of $375,000 and 5 FTE's to facilitate development, refinement and modeling of alternative approaches to the white-collar pay system. Why is this study necessary since so many organizations have looked at the white-collar pay system and made recommendations for changes? What types of categories for special pay rates do you intend to consider that have not already been considered? Will this study be done in-house or contracted out?

A. The additional resources requested cover several program areas, not just the development and modeling of alternative approaches to the white-collar pay system.

- Most of the additional resources will go toward the research initiative focusing on the development and testing of alternative designs for a market-based pay system. Previous studies have focused primarily on justifying the overall concept of locality- or market-based pay, but did relatively little work on designing, modeling, and costing actual systems that could be implemented. Our current effort will fill this gap.

Part of the design work is being contracted-out. Additional design work is being done in-house. The additional resources requested are in addition to the cost of the contract.

- Until the pay system can be reformed, additional funding is needed to assist in handling the increased special rates workload.

- Additional funding will support OPM assistance to agencies in implementing leave transfer and leave bank experiments mandated by the Congress.

- Finally, a portion of the additional funds will be used to contract out cost-of-living surveys and calculation of allowance rates in certain non-foreign areas of the United States. This program has been enmeshed in costly litigation for several years, and the additional funds are needed to put the program on a sound legal and methodological footing.

Q. You also plan to increase funding for the innovation and simplification program by $361,000 and 7 FTE's in FY 90. Your justification states that you intend to expand research and demonstration efforts in personnel management. Again, why is this funding necessary and specifically, what type of activities do you plan to undertake in FY 90? Will this study be done in-house or contracted out?"

A. In FY 90 we expect to complete at least one evaluation report on each of the seven demonstration projects we expect to have underway. In FY 89, by contrast, we only had 4 projects in operation long enough for evaluation to occur. (It requires about 3 FTE's to conduct an evaluation of one project and about .75 FTE plus $150,000 to evaluate one project under contract or interagency agreement.) We expect to design, approve, and implement three other projects. Among the candidates for new demonstration projects are proposals from:

USDA - to test a decentralized approach to hiring,

NASA - to test an alternative pay system which allows greater flexibility to set and adjust employees' base salaries and to award bonuses,

Navy - (Alameda) to test a merger of the white-collar and blue-collar pay systems,

Army - to test an alternative pay system which makes more pay contingent upon good performance, as well as an interagency working group to test an alternative to the Performance Management and Recognition System, and

HHS - (SSA) to test an alternative personnel system for its field managers.

In addition we expect to evaluate 5 ongoing research projects and to provide technical assistance and monitoring to as many as 6 new research projects which pursue questions set forth in the Federal Personnel Management Research Agenda. We will publish research highlights for managers and others.

This proposed funding increase enables us to support the expansion of research but, more importantly, to reach and publish valid conclusions about work now underway.

Some work will be done in-house and some contracted out. We will use a mix of in-house and contractor resources to assist agencies in the design of demonstration projects. All of the demonstration project evaluations (except Navy) will be contracted out subject to our monitoring and oversight. We will use in-house resources to perform meta-evaluations which compare project results.

As for research projects, we often provide technical oversight of research contracts funded by other Federal agencies. We use in-house resources to distill research findings for dissemination to personnel officials and managers.

Q. OPM is currently empowered to conduct demonstration projects for the purpose of permitting experimental programs in improved personnel management techniques. These projects are exempt from personnel laws and regulations in order to provide participating agencies with the latitude they need to test new approaches. I understand that OPM's authority is limited to allowing 10 projects at any given time. Is this true? How many demonstrations do you plan to undertake in FY 90 and what types of demonstrations are you considering?

A. It is true that current law permits only 10 projects at one time. We expect to implement up to 5 more projects in FY 90. Topically, the projects cover skills-based pay in a participatory work environment, streamlined hiring through broad quality groupings and direct hire authority, market-sensitive pay systems, performance-based pay systems, simplified classification systems, and various recruitment, retention, relocation, and performance incentive systems.

Q. Are there any other limitations to OPM's authority in the demonstration project area?

A. Project size is currently limited to 5,000 employees, and projects may last no longer than 5 years (except to validate results). OPM may not use the authority to test alternative plans for providing retirement, health benefits, life insurance, or for leave issues, or to waive statutory requirements about equal employment opportunity through affirmative action, security, political activity, prohibited personnel practices, or merit principles. Of course, OPM lacks the demonstration authority to waive provisions of law outside of title 5, United States Code, and a number of personnel-related provisions appear in other titles.

Q. How many demonstration projects are currently active and how many are in the planning phase?

A. OPM has 5 active projects at the present time, but one of these, the FBI recruitment and retention study, is not covered by the statutory limit of 10 active projects. Two other projects have been approved. One is scheduled for implementation early this year and the other before the second quarter of FY 90. We have 6 other projects in the planning phase and expect several of them to be implemented in FY 90.

Q. Your first demonstration project, the China Lake Department of Navy Project, is still ongoing. I understand it has been in existence since 1980. Why has it taken so long to achieve any concrete results from this particular demonstration?

A. The Navy Demonstration ("China Lake") Project has been extended twice by Congressional action, most recently to 1995. OPM completed the major portion or our evaluation in 1986 (5 1/2 years after project implementation) and issued a report summarizing our findings and conclusions in February of that year. That same year Senator Stevens introduced the Civil Service Simplification Act to extend the China Lake system Government-wide; CSSA was reintroduced in 1987, but failed to be enacted. Since then we have continued to collect data on the experiment and to issue evaluation reports updating and enhancing the basic findings. These have tended to confirm the generally positive results and conclusions set forth in the 1986 report.

Q. I understand that the China Lake Demonstration involves "pay banding." Can you please explain this concept to the Committee and tell us how it works? What are you finding in the China Lake experiment?

A. Pay banding under the Navy Demonstration ("China Lake") Project refers to the combination of two or more General Schedule pay grades into a single larger grade or "pay band." This creates a pay structure with a few broad bands or pay ranges in place of the familiar 15-grade General Schedule. The number of bands varies by occupational group, ranging from six for professionals to four for technical employees.

Pay banding has had two major effects in the Navy experiment. First, with fewer bands it is simpler to classify positions, i.e., determine the correct pay range into which a job should be placed. Fewer bands means that fewer fine distinctions need to be made. This had led to major time savings in operating the system.

Second, the broader pay ranges increase the importance of performance-based pay. Today employees are paid within relatively narrow ranges (30 percent) for their grades though they can be promoted from one grade to the next. These promotions may be competitive or noncompetitive within a career ladder from the entry level to the journeyman level. In either case, job performance must be at least acceptable. Under pay banding, employees have the opportunity, but not the entitlement, to rise to the top of much broader bands (50-60 percent) through excellent performance sustained over a period of years.

Due in part to pay banding, there has been a dramatic strengthening of the relationship between the employee's pay and his or her performance rating. Other important findings from the project are that turnover among better performers is lower, and that employee perceptions of the classification, performance appraisal, and pay systems have grown progressively more favorable during the project. Salary costs have also increased somewhat under the project. In spite of initial misgivings and concerns about change, over 70 percent of employees at the experimental sites now favor the project.

Q. I understand that there have been legislative initiatives to expand OPM's demonstration project authority. Are you in favor of the pending legislation on this topic? How could your demonstration authority be best modified to benefit the Federal workforce?"

A. We are unaware of any of any pending legislation that would expand the demonstration project authority. As the approach we may take on white-collar pay reform becomes clearer, we may need to revisit the adequacy of these authorities.

Q. Your FY 90 budget proposes an increase of $574,000 and a reduction of one FTE for administrative service activities. Of that amount, an increase of $259,000 is being requested to fund the "Salaries and Expenses" account's share of administrative support. Where was this support funded in the past? Why is the change necessary and how does the FY 90 funding level for these activities compare to FY 89?

A. OPM's Administrative Services activity is funded by OPM's Salaries and Expenses appropriation and by OPM's reimbursable programs based on relative direct program size. The S&E increase of $259,000 reflects a redistribution of the basic cost of Administrative Services from OPM's reimbursable programs to Salaries and Expenses exclusive of any increase in the total costs. This change is necessary to ensure that each fund pays its equitable share of the cost of Administrative Services.

OPM's FY 1990 budget request for Administrative Services includes an additional $227,000 to improve personnel assistance to clients, of which $82,000 is funded by Salaries and Expenses and $145,000 by Reimbursements to Salaries and Expenses. We are also requesting an additional $336,000 to expand space renovation projects, of which $122,000 is funded by Salaries and Expenses and $214,000 by Reimbursements to

Salaries and Expenses. We also have a reduction of $40,000 from greater use of private sector resources of which $15,000 is in Salaries and Expenses and $25,000 in Reimbursements to Salaries and Expenses.

Q. The "Performance Management Recognition System," i.e., merit pay, is scheduled to sunset on September 30, 1989. This system is 5 years old and is applied to approximately 140,000 employees. The merit pay system has been very controversial and is slated for reform. Could you explain the problems with the "Merit Pay" System and elaborate on your plans for improving it?

A. Problems with the Performance Management and Recognition System include:

- Difficulties in developing valid measures of performance, and the paperwork that accompanies written standards and ratings, perceived by many managers as not worth the effort;

- Employee views that funds are insufficient to permit meaningful rewards and their perception that they are underpaid relative to the private sector;

- The perception by most employees that they belong at the upper end of the rating scale, and allegations of forced distribution of ratings, even though over 70 percent of PMRS employees are rated above Fully Successful; and

- Inequity in the size of merit pay increases compared to within-grade increases for Fully Successful GS employees in the middle third of the pay range (dubbed the "glitch").

In addressing problems with performance appraisal and pay-for-performance in the Federal service, OPM has used the statutory authority for demonstration projects to test alternative approaches. OPM is also reviewing other options which might require additional time to develop fully and test.

Q. The Volcker Commission has recommended the decentralization of OPM's operating responsibilities such as the approval of routine personnel decisions. What do you think about this recommendation?

A. OPM rarely exercises prior approval of agencies' routine personnel decisions. We agree with the Commission that "Cabinet officers and agency heads should be given greater flexibility to administer their organizations, including greater freedom to hire and fire personnel . . . ."

The Commission would have OPM give broad but conditional authority to agencies to set their own rules. Such conditional authorities would be tempered by review procedures within the Administration, Congressional oversight, and training for senior managers. We support this approach which balances delegations with preparation and oversight, and in fact have made considerable progress in delegating more authority to agencies in recent years as well as simplifying the personnel system.

Since late 1986, OPM has reviewed program after program--at our own initiative as well as in response to recommendations by individual agencies and interagency groups. We looked for ways to give agencies more flexibility and drop OPM from operating decisions. As a result, we delegated many new authorities to agencies. Some of the major ones included:

- Competitive examining authority for new hires to the full extent allowed by law;
- On-the-spot hiring for specific jobs where serious shortages exist;
- Use of private sector temporary help firms to help meet short-term temporary work needs;
- Use of commercial search firms to locate candidates for positions;
- New authority to require specialized qualifications for positions and to change general requirements;
- More flexibility to offer above-minimum pay rates to candidates with superior qualifications; and
- Increased flexibility to pay preemployment interview travel costs for applicants and to pay relocation costs for new hires.

Also, we gave agencies new options and discretion to act in a variety of other operating situations.

Consequently, agencies now have the authority to act on most routine staffing decisions. Despite the relatively small number of conditions still requiring OPM prior approval, as noted earlier, we believe that recommendation is worthwhile.

Continual change in the labor market requires that we assess our operations periodically. Therefore, we do plan to undertake a special, positive review of staffing decisions still under OPM control.

At the same time, we recognize that some activities generally considered to be routine are established firmly in law and permit no variation. For example, our way of ranking candidates and granting veterans preference is set in law, in detail, and cannot be varied without new laws. For these activities, delegation from OPM is not possible.

Q. The Volcker Commission has recommended the reduction in the number of political appointees from 3,000 to 2,000. What in your estimation has been the impact of the proliferation of the number of political appointees?

A. The number of political appointees has not proliferated in recent times. While the number has grown in the last 30 years, this growth has mirrored the great expansion of the Federal Government in that same time period. Nearly a half million non-postal Federal civilian workers have been added since 1958, as well as over 30 significant agencies including the Departments of Transportation, Education, Energy, and Housing and Urban Development, and the Environmental Protection Agency.

During the last 10 to 15 years, however, non-postal Federal civilian employment has largely stabilized, particularly since passage of the CSRA. While political numbers fluctuate during the course of Administrations, they, too, have remained relatively stable over this more recent time period. Schedule C appointees, for instance, numbered 1,516 in the last year of the Reagan Administration versus 1,518 in the last year of the Carter Administration. In the 15 years from 1973 to 1988, Schedule C positions increased by only 224.

Put in perspective, the total number of political appointees continues to number less than two tenths of one percent of the non-postal Federal civilian workforce of 2.2 million workers.

The Volcker Commission considers the number of political appointees, whether one views that number as large or small, as having a detrimental impact on the executive branch. Political appointees are, among other things, seen to stymie advancement of careerists and, in general, contribute to poor government due to their alleged short tenure and lack of experience. On closer examination, this detrimental impact appears somewhat overblown.

At the top of the Federal pyramid are the executive level Presidential appointees requiring Senate confirmation. Totalling a little over 500, they are by definition political appointments and their numbers are largely determined by Acts of Congress. Presidents can and do appoint career employees to these positions on occasion.

The next level of employees is comprised largely of the Senior Executive Service. Over 50 percent of all SES positions are specifically reserved for career appointments, and by law no more than 10 percent of the total number of SES positions can be held by political appointees. Of positions labelled "Deputy Assistant Secretary" throughout the Government, a majority are also held by career appointees. Clearly there is no blockage to career advancement at this senior level.

Among Schedule C appointees, concern has focused on those in the higher levels, GS 13-15. In 1988, there were 900 Schedule C's in that range out of a total of 225,000 such positions--224 career opportunities "open" for every one "blocked" by a political.

All in all, the detrimental impact on career advancement must be considered extremely limited.

Regarding tenure, years of experience under the CSRA have shown that all top executives--career and noncareer--turn over relatively quickly. Average time in position for Presidential appointees is 2.8 years; for noncareer SES, 1.8 years; for career SES, 3.4 years. Similarly, all top executives--career and noncareer--have significant amounts of Government service: 10.9 years for Presidential appointees; 9.1 years for noncareer SES; and 22.5 years for career SES.

While tenure and experience for political appointees is understandably less than that of career employees, the difference is certainly less stark than some would contend, and the supposed detrimental impact of political numbers on effective executive branch administration must be evaluated accordingly.

As the Volcker Commission notes, executive branch leadership is and must be a partnership of political and career appointees. That is our democratic system as the American people have constructed it, and that partnership remains overall a healthy one.

Q. The Volcker Commission has recommended the abandonment of the old notion of a Monday through Friday Government and 9 to 5 business hours. How does the Commission's recommendation differ from the program of flexi-time that has already been used by OPM?

A. Alternative work schedules for Federal employees were permanently authorized by Congress in December 1985 after several years of experimentation. We reported in 1985 that the total number of employees covered by some type of alternative work schedules program had grown to approximately 308,000 as of July 1984. This represented more than 15 percent of the total full-time Federal workforce. Alternative work schedules are of two kinds: (1) flexible work schedules, under which employees may vary the scheduled hours of work within the normal 8-hour workday, and (2) compressed work schedules, under which employing agencies may establish longer working hours within fewer workdays.

Alternative work schedules benefit employees by enabling them to design non-traditional work schedules to accommodate changing family needs. These work schedules also enhance productivity in agency field operations, computer operations, and in most shift operations by providing for greater flexibility and longer hours. In addition, some agencies have reported enhanced accessibility to the public, including improved telephone contact across time zones. OPM will continue to encourage the use of alternative work schedules in appropriate work environments.

Q. While your FY 90 budget proposes legislation for later transmittal to reduce the cost-of-living adjustments for Federal retirees, I understand that the budget agreement assumes the continuation of the COLA's for all annuitants in FY 90. Do you still plan to propose legislation to reduce the COLA for annuitants beginning in FY 1991 depending on the Consumer Price Index?

A. A fundamental reason for revising the method of computing cost-of-living adjustments under the Civil Service Retirement System (CSRS) is to provide greater consistency with private sector practice. In addition, revising the method would parallel the formula currently used for most individuals under the newer Federal Employees' Retirement System and for the Military Retirement System as modified in 1986. It is not yet clear exactly what changes in Federal employee programs may be made in the reconciliation process, and the COLA methodology may be subject to further consideration.

Q. As you are undoubtedly aware, yesterday the House of Representatives passed its version of the Hatch Act reform legislation by a vote of 297-90. Obviously, Federal employees and others believe the Hatch Act's original purpose, that of protecting Government employees from coercion by their supervisors and employees, has been corrupted. In the past, you have strongly repeated the Reagan Administration's position opposing any changes in the law.

Personally, I believe that the Hatch Act is no longer necessary and is, in fact, unconstitutional. For this reason, I have joined many of my colleagues in introducing legislation this session to reform the Hatch Act.

Is the Bush Administration aware that the Senate Bill (S. 135) would prohibit employees from engaging in any political activities while on the job or in a Government building, vehicle, or uniform?

Is the Bush Administration aware that the bill only allows Federal employees to engage in political activities on their own time and that the penalties for abuse of the Hatch Act are strengthened?

Although you are changing positions, can you state whether the Bush Administration is willing to work with this Senator and others in Congress in an attempt to find some common ground to protect the rights of Federal employees without politicizing the civilian workforce?

A. While the Administration has not yet taken a position on S. 135, we are certainly aware of its provisions. We can say that our concerns regarding other proposals to change the Hatch Act, both in this Congress and the last, were predicated not on the time or location of the permitted political activity but rather on the fact that such activity would be sanctioned at all.

We continue to believe that permitting partisan involvement would make an employee vulnerable to indirect influence to support the party or candidate favored by his superiors. We are also persuaded that political involvement would foster competition for advancement based on active support of the favored party or candidate. Inevitably, there will be an adverse effect on the public perception that Government services are provided to all members of the community without regard to political considerations.

Therefore, we remain convinced that the current restrictions on partisan political participation are indispensable to the efficiency, integrity, and independence of Federal and Postal employees.

OPM'S INSPECTOR GENERAL

Q. The proposed FY 90 budget for the Office of Inspector General within the Office of Personnel Management is $5.1 million and 64 full-time equivalent staffing positions. How does this level of funding and staffing compare to the FY 89 enacted level for Inspector General activities assumed before you became a separate entity within OPM?

A. The nonstatutory Office of Inspector General's budget for FY 1989, all of it drawn from OPM's general salaries and expenses account, was $1,045,000, and its personnel ceiling was 20 FTE's. The budget of the Insurance Audits Division (of the Retirement and Insurance Group), which was transferred to our office in mid-year by the Inspector General Act Amendments, totalled $1,278,000, all of it drawn from trust funds, with a ceiling of 21 FTE's. These figures are not strictly comparable to our FY 1990 request, however, because they do not include the amounts allocated by the agency as mandatory payments for overhead and centrally-funded services; we did not receive a budgeted amount for them in FY 1989. Nonetheless, we would suggest that our scheduled overhead payments to OPM for FY 1990 may serve as approximate standards of comparison. They will total $1,220,000 ($705,000 against salaries and expenses, $515,000 against trust funds), or 23.8 percent of our $5.1 million appropriation request.

Q. Your FY 90 budget justification proposes an increase of $300,000 to allow you to establish a criminal investigations function within the Office of the Inspector General. How were criminal investigations conducted prior to your becoming a separate entity and why do you now believe an investigations unit needs to be created?

A. In the immediate sense, the establishment of a criminal investigations function in our office is predicated upon what we believe to be the intent of Congress in providing OPM with a statutory Office of Inspector General. The Inspector General Act Amendments extend to OPM the same criminal investigative authorities which are provided to all of the other statutory Offices of Inspector General. The law is quite specific in stating that the "duty and responsibility of each Inspector General" includes conducting, coordinating, and supervising "investigations relating to the programs and operations" of the agency. The statute further requires that an Assistant Inspector General for Investigations be appointed to supervise the OIG's investigative activities. Every one of the statutory Offices of Inspector General existing prior to the passage of the Inspector General Act Amendments is operating an active criminal investigations program, many of which routinely generate recoveries of fraudulently paid funds in the millions of dollars annually. OPM has never previously had a criminal investigations program, and thus we are intending to approach the development of one in a careful manner, stressing responsiveness to agency needs, rather than simply the compilation of a large caseload. However, based upon the preliminary discussions we have held with Offices of Inspector General in other agencies which administer retirement, insurance, or similar benefits programs it is evident that an appropriately administered criminal investigations function in OPM would be highly productive. Given the size of the Civil Service annuity rolls (2 million benefit recipients, over $30 billion in annual payments) and the life and health insurance programs (4 million participants, over $23 billion in annual payments to contractors), we expect ultimately to develop an ongoing caseload of several hundred instances of benefits fraud each year and to make substantial monetary recoveries in situations which are now simply being written off by the program offices because investigative capacity is not available.

Q. I see you are also planning an increase of $450,000 and 16 full-time equivalents in FY 90 to audit OPM's operation of the retirement and insurance programs of Federal employees. Are these funds presently being audited, and if so, why is the expansion necessary in FY 90? Do you have reason to believe these accounts need closer scrutiny?

A. The activities we are proposing to audit with these increased resources include retirement claims adjudication, the negotiation and administration of health and life insurance contracts, and the policy and management functions which support them. Even as a nonstatutory entity, the Office of Inspector General has recognized the importance of these benefits programs, and in 1987 we established an audit unit to deal directly with them. Resource limitations have prevented us from undertaking all but a small portion of the studies which the subject matter warrants, however. For example, the process through which annuity payments to 2 million Federal retirees, their dependents, and survivors are determined and paid--involving expenditures in excess of $30 billion annually--has gone essentially without independent audit for many years. Similarly, life and health insurance contracting for the Federal Employees' Group Life Insurance and Federal Employees Health Benefits Programs (as distinct from the performance of the contractors themselves) has not been subject to audit, even though the contracts are worth approximately $13 billion each year. In the absence of prior studies, we do not wish to imply that specific programs are being operated inefficiently, or that certain amounts of savings would necessarily be identified through OIG projects. However, based upon the experiences of statutory Offices of Inspector General in agencies which operate similar benefits programs, it is clear that independent and professional audit oversight of the kind that our office will provide can result in significant improvement in the economy and integrity of the agency's activities.

Q. I am pleased to see that you are requesting an increase of $203,000 and 5 full-time equivalents to conduct audits on the disposition of findings and recommendations contained in OPM's management reports. It seems the agency carries out a large number of these studies and it is difficult to determine what happens to the recommendations once made. Are there any specific areas you will make a priority in fiscal year 1990 in this management review? Who does the management audits now? Why hasn't the present procedure been sufficient to demonstrate compliance?

A. The audit followup and management activities to be funded by these resources are new programs associated with section 106 of the Inspector General Act Amendments of 1988, which establishes a significantly expanded format for the presentation of audit findings in the Inspector General's semiannual report, and requires that each agency issue a parallel report of actions it has taken during the same 6-month reporting period with respect to the Inspector General's findings. Previously, our office followed the guidance of OMB Circular A-50 ("Audit Followup"), which requires that unresolved audit findings be brought to the attention of a designated high-level management official on a semiannual basis, but does not apply the systematic and highly specific approach now outlined by the Inspector General Act. Circular A-50 will remain applicable, but it is evident that the IG semiannual report and the corresponding management responses will become the controlling devices in the audit followup and resolution process. In terms of our own priorities for FY 1990, we are aware that the President's Council on Integrity and Efficiency (PCIE) is developing an action plan for use by the statutory Inspectors General in implementing the expanded reporting and followup requirements on a consistent basis Governmentwide, and we are intending to follow this guidance.

Q. I see another $400,000 and 11 full-time equivalent positions are being requested under reimbursements from the trust funds to improve the audit coverage of health plans participating in the Federal Employees Health Benefits Program. How often does OPM currently audit health plans? How often do you believe these plans should be audited? Is there reason to believe that the Federal Government has been taken on some of the expense charges that were denied?

A. Our request for increased resources to audit the activities of the insurance carriers and health care providers (health maintenance organizations, or HMO's) directly reflects our concerns that, in recent years, with the function having been located elsewhere in OPM, the support allocated to these audit activities fell to a point that the period between audits lengthened to an unacceptable degree. Generally accepted audit practice would require, at a minimum, that each FEHB contract be audited frequently enough so that every year's operation of every plan will ultimately be subject to review. Generally, the FEHB contracts require carriers and HMO's to make available to OPM complete records of expenses charged to the Federal program for five years after the close of a contract year. Since we have no right to access records older than 5 years, if a plan is not audited during that interval, we have in effect lost the ability to review at least a year's activities of the carrier, and cannot make recoveries of improperly or incorrectly charged funds for such periods. At the FY 1989 resource level, we cannot provide full audit coverage of the FEHBP on the minimal 5-year cycle, and are falling far short of our ultimate goal of a 3-year cycle. The FY 1990 resources request would bring us close to the 5-year mark, and will greatly enhance our ability to assure the integrity of the carriers' operations. It should be noted, however, that even at the lower staff levels, the FEHB audit program was productive of findings, which generated approximately $12 million in recoveries to the Government during FY 1987-88, which were passed on as reductions in premium increases to participating Federal employees and annuitants.

Q. How many Federal nurses are governed by the Office of Personnel Management policies regarding professional employment?

A. Approximately 41,000 civilian nurses are employed by the Federal Government; about 6,500 of these are in positions covered by the General Schedule. More than 30,000 are in the Department of Veterans Affairs in positions not subject to OPM policies and regulations.

Q. When was the last update of the 610 series for classification and standards of nurse performance conducted?

A. The current position classification standard for the Nurse Series, GS-610, was published in June 1977. Supplemental interpretive material was issued in 1984 and 1985.

Q. Do you have any plan to do any update and, if so, when?

A. Our recent occupational studies of the medical service area have concluded that, while some of the technology has changed since 1977, the overall difficulty and responsibility patterns in the career field have remained the same. As a result, we have no immediate plan to update the Nurse standards. As part of our overall effort to improve the qualification standards system, however, we do plan to review the qualification standards for medical occupations, including Nurse, starting this summer.

Q. Are specific personnel assigned those responsibilities?

A. Yes. A position classification specialist in the Office of Classification is assigned the Nurse occupation for purposes of surveillance, advisory services, etc.

Q. Does that person have an integral knowledge of nursing or professional standards development?

A. Yes. The individual responsible for the Nurse occupation has a knowledge of professional standards development.

Q. Have any efforts been made in the last four years to employ a nurse at a policy level role?

A. No effort has been made to employ a Nurse in such a role, but the same is true for other occupations. Our Office of Classification employs skilled occupational analysts to deal with all occupations, rather than individuals who are themselves practitioners of the subject occupations. However, in studying occupations, our analysts routinely seek out the views of professional organizations as well as agencies personnel specialists, program managers, and employees in the occupation to ensure that we have a current knowledge of the duties, responsibilities, and qualification requirements of the occupations.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Q. Would you please give us a status report on the Federal leave sharing program and how that program has been implemented and is working?

A. Under the temporary leave transfer program implemented last year, more than 2,200 employees in 52 agencies used over 270,000 hours of donated annual leave during FY 1988. While OPM has not yet collected information concerning the levels of activity under this program during the current fiscal year, several agencies have reported a significant increase in activity under this program since October 1, 1988.

The 5-year leave transfer/leave bank programs authorized by Public Law 100-566 are presently being implemented. OPM issued interim regulations governing the Government-wide, employee-to-employee annual leave transfer program on January 31, 1989. All Federal agencies were required to implement this program by April 30, 1989.

OPM issued interim regulations governing the more limited voluntary leave bank program on April 28, 1989. Under this program, OPM is required to establish leave bank demonstration projects in at least three agencies of specified sizes by July 31, 1989. Employees in participating agencies will be able to contribute annual leave to a leave bank administered by a "leave bank board." Leave contributed to the bank will then be available to assist contributing employees who need additional paid time off because of a medical emergency affecting the employee or a family member of the employee.

Q. An increase of $650,000 is requested for fiscal year 1990 to automate job information and test scoring. How much of this requested total funding increase is to purchase microcomputers for area offices and how much is for additional touchscreen computer systems? How many microcomputers and touchscreen systems do you plan to purchase? Of the total $650,000 requested increase, how much is requested to expand and improve the job information telephone system? The budget justification indicates that the job information telephone system will be expanded and improved to cover vacancies in specific geographic areas. What vacancies in which geographic areas will be covered?

A. We plan to purchase 5 multi-user minicomputers that are completely compatible with other computers in our network for $150,000. We plan to purchase 20 touch-screen computer systems for $200,000.

The job information telephone system is being piloted with entry level positions for college graduates nationwide (College Hotline) and all other vacancies in the Atlanta Region (General Jobline). This will allow us to shake down the system for more specific computer and telephone line requirements before beginning expansion. $150,000 is requested to expand the system to 2 additional regions for the General Jobline and to link it with agencies in support of targeted recruiting.

We plan to expand the system to 2 additional regions in FY 1990--we are currently studying which 2 regions will be the most effective. The system will cover entry level positions for college graduates nationwide (College Hotline) as well as all vacancies for which OPM examines and agency delegations in those regions (General Jobline). We plan to expand the system to the remainder of the Nation in 1991.

Q. The job information telephone system was begun in fiscal year 1989. Would you please give us a status report on this system?

A. The current status is:

The voice response computer system has been procured and installed and is now being tested.

Telephone lines for 900 service have been installed and tested.

Our application for the voice response system is being designed and developed now. Recording of messages will be performed by a professional radio announcer within the next two weeks.

The College Hotline (entry level positions for college graduates nationwide) is expected to be in operation starting in June 1989.

The General Jobline (all other jobs for the Atlanta Region) is expected to be operational in the fall of 1989.

Q. An increase of $50,000 is requested for fiscal year 1990 to allow Federal recruiting programs to expand involvement and participation with colleges throughout the U.S., to specifically recruit students in occupations where there is a current shortage of applicants and from under-represented minorities and other population groups. Which occupations and minority groups will be targeted?

A. Currently, our shortage occupations are defined as those occupations for which an agency has difficulty in finding qualified applicants. Generally, they include engineering, physical science, medical, computer science, clerical, accounting, and certain law enforcement positions. Shortage occupations can vary among agencies and geographical locations, but major recruiting targets would be directed to those listed above.

Minority groups that would be targeted include those groups currently underrepresented in the Federal workforce. They are: Hispanics, Blacks, American Indians or Alaskan Natives, and Asian Americans/Pacific Islanders. Special efforts will also be directed toward women and individuals with disabilities.

Q. In fiscal year 1989, $125,000 is being spent on the clerical apprenticeship program for underprivileged high school students and $60,000 on a cooperative work study project for high school students in Chicago. What has been the success to date of these two initiatives?

A. The Clerical Apprentice Program (CAP) is a training/transition-to-work program designed for high school graduates entering the Federal workforce. This program was started on October 24, 1988, with the hiring of 10 clerical apprentices, and two development specialists as trainers and evaluators. The 10 apprentices came from inner-city schools and were hired through the use of interviews and recommendations from their schools. The two development specialists are experienced trainers. The course director has a Ph.D. in Black Studies and Anthropology from Georgetown University and had directed basic skills training programs previously. The other specialist is completing his M.A. degree from Howard University and has been a clerical trainer at OPM for several years.

The program has consisted of a combination of intensive classroom instruction and on-the-job work experiences. Daily and weekly assessments are used to evaluate each trainee's progress. At the end of the year, a major program assessment will be completed. However, based on the individual assessments to date, the program has been judged to be very successful and OPM is moving it to its operating Personnel and EEO Office beginning in FY 1990. Funding at that time will come out of OPM's regular appropriations. Since this was judged to be a demonstration project, OPM staff has worked with other agencies here in Washington, D.C. and in the field to set up additional apprentice training initiatives. We will continue the program evaluation efforts after the program is transferred to our operating personnel office.

Our pilot "Early High" School Cooperative Education Program was designed to extend the High School Co-op Program to freshmen and sophomores, especially disadvantaged minority students. OPM is funding student salaries during this fiscal year, as well as the salaries of agency mentors for the students. Participating agencies will assume fiscal responsibility for the program once the students reach their junior year.

The Chicago Region worked with agencies and high schools in Chicago and Detroit to establish the Program's expectations, define the selection criteria for both mentors and students, and draw up agreements. A more detailed description of the program follows.

EARLY HIGH SCHOOL COOPERATIVE EDUCATION PROGRAM

AGENCIES	# STUDENTS TO BE HIRED	# STUDENTS ON BOARD
CHICAGO		
Dept. of Labor	4	-
USDA, Food and Nutrition Service	2	-
VA Regional Office	2	2
VA Medical Center	4	1
DETROIT		
IRS District Office	3	3
U.S. Customs Service	3	-

NOTE: Agencies are still in the process of interviewing students. We expect all selections to have been made by the end of the month.

PARTICIPATING SCHOOLS
CHICAGO

Benito Juarez High School
Waukegan High School
Roberto Clemete High School

DETROIT

Denby High School
Western High School
Chadsey High School

Q. The fiscal year 1990 budget request assumes a decrease of $50,000 and 10 FTE positions from the greater use of private sector resources in the Government's recruiting, employment, and training programs. What specific activities will be undertaken by the private sector and how was the savings in funding and FTE positions which is assumed to result from these activities calculated?

A. These reductions are predicated on an average savings of $5,000 per FTE saved through A-76 initiatives in OPM's Career Entry and Employee Development Group. These reductions are general and we have not identified specifically what activities would be performed by the private sector, or would not be performed at all.

Q. The budget justification indicates that $202,000 is being spent in fiscal year 1989 on a contract survey and study of the Government's health insurance benefits as part of OPM's Civil Service 2000 initiatives. When will this study be completed?

A. The study will be completed by the end of this summer.

Q. An increase of $361,000 and 7 FTE positions is requested in fiscal year 1990 for OPM's innovation and simplification program. The budget justification indicates that this will allow an increase in the number of OPM's and other organization's research projects; promote coordination of interagency demonstration projects' design and evaluation; and promote additional innovative personnel methods. Would you please specify how many additional projects will be undertaken with this proposed funding increase, why additional funding is needed to expand OPM's innovation and simplification efforts, and provide us a list of those projects and efforts which will be funded in fiscal year 1990 if the requested funding increase is provided.

A. In FY 1990 we expect to complete at least one evaluation report on each of the seven demonstration projects we expect to have underway. In FY 1989, by contrast, we only had 4 projects in operation long enough for evaluation to occur. (It requires about 3 FTE's to conduct an evaluation of one project and about .75 FTE plus $150,000 to evaluate one project under contract or interagency agreement.) We expect to design, approve, and implement three other projects. Among the candidates for new demonstration projects are proposals from:

USDA - to test a decentralized approach to hiring,

NASA - to test an alternative pay system which allows greater flexibility to set and adjust employees' base salaries and to award bonuses,

Navy - (Alameda) to test a merger of the white-collar and blue-collar pay systems,

Army - to test an alternative pay system which makes more pay contingent upon good performance, as well as an interagency working group to test an alternative to the Performance Management and Recognition System, and

HHS - (SSA) to test an alternative personnel system for its field managers.

In addition we expect to evaluate 5 ongoing research projects and to provide technical assistance and monitoring to as many as 6 new research projects which pursue questions set forth in the Federal Personnel Management Research Agenda. We will publish research highlights for managers and others.

This proposed funding increase enables us to support the expansion of research but, more importantly, to reach and publish valid conclusions about work now underway.

Q. An increase of $375,000 and 5 FTE positions is proposed for fiscal year 1990 to develop new approaches to the white-collar pay system. The budget justification indicates that this additional funding will also be used to handle the increased special rates workload, to support leave bank and leave transfer experiments and for the COLA survey. How will the $375,000 funding increase and additional 5 FTE positions proposed be allocated for each of these activities?

What increase in the special rates workload is being projected for fiscal year 1990?

How long will it take to develop recommendations aimed at alleviating the growing problem of special rates?

What specific leave transfer and leave bank experiments are planned?

A. The additional FTE's will be allocated as follows: 3.0 for the research initiative to develop new approaches to the white-collar pay system; 1.5 for dealing with the increased special rates workload; and 0.5 for assistance to agencies in implementing the leave transfer and leave bank experiments. Most of the additional $375,000 will go for the direct and indirect costs of the additional 5 FTE's. Approximately $70,000 will be allocated to the cost of the new COLA survey.

Based on recent experience, we expect a significant increase in the special rates workload. However, it is difficult to project the precise size of that increase since it will depend heavily on agency availability of funds to support requests. Agency requests more than doubled in the last year and have increased an average of 40 percent for the past four years.

Our approach to solving the problem of special rates is to develop alternatives to the current white-collar pay system. The first step is the contract we let to the Wyatt Company in February to assist in our efforts to develop a more flexible and more market-sensitive pay system. The final Wyatt report is expected at the end of July. After a review of their findings, as well as those of other interested parties, we anticipate development of alternative approaches for reforming the pay system.

Under Public Law 100-566, OPM was required to establish (1) a 5-year Government-wide, employee-to-employee leave transfer program, and (2) a more limited voluntary leave bank program in at least three agencies of specified sizes. Regulations governing the Government-wide annual leave transfer program were issued on January 31, 1989, and all Federal agencies were required to implement this program April 30, 1989.

Regulations governing the voluntary leave bank program were issued on April 28, 1989, and participating agencies are required to implement this program by July 31, 1989. Employees in participating agencies will be able to contribute annual leave to a leave bank administered by a "leave bank board." Leave contributed to the bank will then be available to assist contributing employees who need additional paid time off because of a medical emergency affecting the employee or a family member of the employee.

OPM has not yet identified the specific agencies in which leave bank demonstration projects will be conducted. By law, demonstration projects must be established in at least one large agency, one middle-sized agency, and one small agency. So far, only one large agency tentatively has indicated an interest in establishing a leave bank, and no middle-sized agencies (25,000 to 100,000 employees) have shown an interest. Several agencies have informed us that they are not interested in establishing a leave bank because the Government-wide leave transfer program appears to be meeting employees' needs.

As required by Public Law 100-566, OPM will closely monitor and evaluate the Government-wide leave transfer program and the leave bank demonstration projects and will report to Congress on the operation of these programs in October 1990 and again in April 1993 (6 months before the scheduled termination of both programs).

Q. In your view, what are the Federal Government's most serious recruitment and retention problems? Is pay comparability with the private sector the cause of these problems? What are the other contributing factors? What is currently being done to address these problems?

A. At present, the Federal Government's most serious recruitment and retention problems are with clerical, medical, law enforcement, and entry level engineering occupations. The problems are caused largely by pay disparity with the private sector. The cost of living, especially the cost of housing, also contributes to the problem, particularly in situations where agencies are attempting to recruit or reassign individuals from low cost to high cost areas.

The only vehicle available Governmentwide to address this pay competition problem is the special salary rates program. OPM has streamlined the special rates authorization and renewal process, and the program has quadrupled in the past five years. Currently, about 150,000 employees in the General Schedule are on special rates--about 10 percent of the total.

In the last Congress, OPM proposed the Civil Service Simplification Act which, among other things, would have given agencies more flexibility in setting pay and permitted hiring of new employees at rates more reflective of market conditions. OPM also supported the Federal Personnel Improvements Act in the last Congress. In addition to providing for expanded demonstration projects, this legislation would have given managers in all agencies additional pay flexibilities, including recruitment and retention bonuses, and given OPM expanded special salary rate authority. OPM has also worked with agencies and approved several demonstration projects which are intended to test additional systems and tools to help agencies make more effective use of their payroll dollars. Furthermore, OPM has initiated a major research effort to support the development of more market-based alternatives to the General Schedules.

In addition to working for improvements in the pay system, OPM has addressed the recruitment dimension of this problem by launching major recruitment initiatives and by streamlining the hiring process to make it more responsive to high priority recruitment needs.

Q. The budget justification indicates that an increase of $259,000 is proposed for "administrative services" and an increase of $176,000 and 7 FTE positions is proposed for "executive services" as a result of a change in the salaries and expenses program's share of overall administrative support. What is this change?

A. The cost of OPM's "Administrative Services" (i.e., financial management and operations, publishing services; procurement and property management; building, facilities, and telecommunication management; agencywide services for space and lease management; graphic services; personnel, EEO, and human resource development; health unit services; internal control activities; and internal security) and "Executive Services" (i.e., executive direction; policy development; oversight of OPM activities; budget; legal advice and representation; dissemination of information to external audiences; and management of OPM's legislative program and Congressional liaison) are shared by OPM's Salaries and Expenses appropriation and reimbursable programs. The changes (i.e., Salaries and Expenses increases of $259,000 for administrative services, $196,000 for executive services, and $55,000 for ADP services) reflect an increase in the relative size of our Salaries and Expenses programs compared to our reimbursable programs and a resulting shift in the distribution of these "overhead" costs from one fund to another. Thus, the Salaries and Expenses increase of

$510,000 is offset by a reduction of $510,000 in our reimbursable programs for these same costs.

Q. A decrease of $15,000 and 3 FTE positions is proposed in "administrative services" from the use of private sector resources. Which activities will be undertaken by the private sector and how was the savings in funding and FTE positions estimated to result from increased reliance on private sector resources calculated?

A. The Administrative Services reductions are based on an estimated savings of $5,000 per FTE eliminated. At this point, we are not in a position to identify specifically which services would be eliminated and which residual functions would be either spread to remaining staff or contracted out.

Q. Under the automated data processing service activity, the fiscal year 1990 budget justification reflects a $256,000 increase to correct internal control weaknesses and a $236,000 increase to correct facilities and security weaknesses. Would you please explain what "weaknesses" have been identified and also the risk a disaster now poses for your operations for which you are seeking $492,000 in additional funding to address?

A. OPM submitted its FY 1988 FMFIA Report to the President of the Senate on January 11, 1989. Attached are the relevant portions of that Report which address the weaknesses which have created the need for additional resources in OPM's ADP systems.

The weaknesses are in a variety of systems that require automated support. During 1990, OPM will address the weakness in its property control system by purchasing an automated property control module. We are also continuing the upgrade of our central accounting system to bring it closer to prescribed Government standards.

OPM operates an automated system that services the needs of millions of retired Government employees and their families. The resources requested for dealing with potential disasters are needed to assure that the needs of these clients, particularly their monthly annuity checks, can be continued without interruption or substantial delays because of catastrophic events.

Primary in this area of support to OPM's retirement and insurance clients is an uninterruptable power system to maintain operations and prevent catastrophic data losses during power outages. Recent analyses concerning electrical requirements throughout the Mid-Atlantic and Northeastern states predict that brownouts and blackouts will occur with increasing frequency, particularly during the summer. It is absolutely critical that the automated systems that support OPM's retirement processing operations not be interrupted. At present, we do not have that capability.

ATTACHMENT 1

January 11, 1989

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I am pleased to report that the internal control and financial management systems of the Office of Personnel Management, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act have been achieved. However, we cannot provide "reasonable assurance" for property at this time because of the lack of an operating personal property system.

The Office of Personnel Management's efforts to improve internal controls and correct weaknesses have produced positive results since the law was enacted in 1982. Our accomplishments include the following.

- Identification and correction of material weaknesses.
  - + Identification of four material weaknesses in previous years. Two of these weaknesses, computer and information systems security, and the collection of debts owed to the Civil Service Retirement and Disability Fund, have been corrected.
  - + The financial management system and personal property system material weaknesses/nonconformances remain uncorrected. However, improvements have been made to these systems:
    - o Tested and implemented a new on-line payroll data entry system, reducing the time and paperwork required to update/correct payroll records.
    - o Began work on an automated interface between the personnel and payroll systems which will reduce data entries and paper flow, and improve the timeliness in posting personnel actions to the payroll file.
    - o Automated billings for the Investigations program.
    - o Revised vendor payment procedures to improve compliance with the Prompt Payment Act.
    - o Implemented interfaces between the purchasing and accounting systems for recording one-time purchase orders.
    - o Eliminated backlog of received but undelivered orders in the receiving function and reconciled delivery receipts with purchase orders. New standards were established to improve the control over receipt and security of property.
    - o Conducted limited reviews of the Administrative Accounting System as required by OMB Circular A-127.

- OPM requested $600,000 in FY 89 to purchase off-the-shelf software for replacement of the present financial management system. An additional $1.1 million was requested in the FY 90 budget to implement the new accounting system and bring OPM's property management activity into compliance with regulation and guidance. The replacement system will eliminate the weaknesses and nonconformances reported this year and in prior years for the OPM's Administrative Accounting System. Notwithstanding the improvements in the Administrative Accounting System, the number of material nonconformances reported for 1988 is significantly higher than in prior years. This is not the result of a deterioration in the OPM's financial management systems or the Administrative Accounting System. The larger number reported results from OMB guidance to review the reporting of weaknesses and nonconformances more critically in an effort to reach more uniformity in governmentwide reporting. Our enclosures note the differences in reporting methodology.

- Identified and corrected in FY 88 three material weaknesses.

  - Discovered one material weakness, as a result of a President's Council on Integrity and Efficiency (PCIE) audit of the Washington Data Processing Center, involving the potential for a security exposure in an OPM computer system, the exploitation of which could result in significant loss. As a result of this discovery, we immediately corrected all weaknesses. We reviewed OPM's other computer systems seeking similar exposures and took immediate corrective action again where warranted.

  - Discovered and corrected two material weaknesses involving Privacy Act files located in the National Personnel Records Center. In one instance, we were unable to determine that all retrieved files had been returned. In the other instance, we were unable to verify contractor authority to access files.

- Identified one material weakness in FY 88 which will be corrected in FY 89.

  - Discovered a material weakness in the establishment and maintenance of procedures for accessing Official Personnel Folders that are jointly managed by OPM and other agencies, such as the U.S. Postal Service.

- Identified 124 nonmaterial internal control weaknesses in FY 88. Eighty one of these were corrected during FY 88; 43 are scheduled for correction in FY 89.

- Resolved 27 of the 63 nonmaterial weaknesses unresolved at the beginning of FY 88.

-Streamlining the process.

- Instituted a list of standard assessable units for regional operations for implementation in FY 1988.

- **Streamlined the internal control process by instituting agencywide databases for OPM assessable units and unresolved internal control weaknesses.**
- **Developed an automated Management Control Plan (MCP).**
- **Initiated review of the internal control review process to determine where simplification of the process can be accomplished.**

ENCLOSURE C
OFFICE OF PERSONNEL MANAGEMENT
MATERIAL WEAKNESS #1

Short Description of Material Weakness: Nonconformance of Financial Management System with the requirements of OMB Circular A-127.

Statistical Category: Payment System and Cash Management

Year of Identification: 1986

Bureau/Appropriation: Administrative Services, S&E, Activity 50

Administrative Activity: Office of Finance and Administrative Services

Program Activity: Financial Management Division

Targeted Correction Date: 1991. Acquisition of new accounting system software modules will begin in FY 1989 and be completed in FY 1990 with the acquisition of a property module. A nationwide inventory of OPM personal property is scheduled for FY 1991.

Description/Quantification of Weakness: OPM's Administrative Accounting System was designed in the mid-60s, relies on manual interfaces for most data entry, does not use database technology, and does not have terminal access to information for most users. System does not incorporate the Standard General Ledger, does not report depreciation on ADP software, and relies on manual processes to track unfilled orders.

Corrective Action: OPM will procure and implement off-the-shelf software modules for major accounting system components. Funding was requested for both FY 89 and FY 90 to carry out this system modernization.

MATERIAL WEAKNESS #2

Short Description of Material Weakness: Nonconformance with the requirements of the Prompt Payment Act.

Statistical Category: Payment System and Cash Management

Year of Identification: 1988

Bureau/Appropriation: Administrative Services, S&E, Activity 50

Administrative Activity: Office of Finance and Administrative Services

Program Activity: Financial Management Division

Targeted Correction Date: 1991, in conjunction with the update of the Financial Management System.

Description/Quantification of Weakness: A 1987 review by the Office of the Inspector General noted that a number of central office vendor payments did not conform to the requirements of the Prompt Payment Act. The report recommended, in part, that OPM automate the accounts payable process to better identify payment due dates.

Corrective Action: OPM will periodically review the handling of vendor payments, issue guidance on handling documents supporting vendor payments, and assess the impact of all new procedures to determine if other systems changes are necessary. In addition, the procurement of an accounts payable module, as part of the planned financial system enhancements, will address the IG recommendation on automation.

Specific actions undertaken in FY 1988 to improve compliance with the Prompt Pay Act included:

+ Establishing a "Total Quality Management" pilot demonstration project in the Accounts Payable Section. This project involves a structured approach to providing leadership, tools, and training to do the job and appropriate recognition for accomplishments.

+ Providing two training sessions for all payment technicians and appropriate program staff on the requirements of the Prompt Payment Act, including the new procedures that will be used to improve compliance with the Act.

MATERIAL WEAKNESS #3

Short Description of Material Weakness: Inadequate personal property inventory system.

Statistical Category: Property and Inventory Management

Year of Identification: 1986

Bureau/Appropriation: Administrative Services, S&E, Activity 50

Administrative Activity: Office of Finance and Administrative Services

Program Activity: Management Support Services Division

Targeted Correction Date: 1991

Description/Quantification of Weakness: OPM has neither a complete or current personal property inventory since many property items are unrecorded and the status of others is not up to date. The problem is compounded because of the lack of automation.

Corrective Action: The original planned corrective action was to link this need to the proposed integrated finance and administrative services system initiative. However, this initiative did not materialize and it was abandoned in 1988. The agency is now planning to upgrade it financial management systems beginning in 1989 with the acquisition of a core accounting system. These plans provide for the acquisition of an automated property management subsystem in 1990 and for full implementation of this subsystem in conjunction with a nationwide personal property inventory scheduled in 1991.

ENCLOSURE D
OFFICE OF PERSONNEL MANAGEMENT
FINANCIAL MANAGEMENT SYSTEM MATERIAL NONCONFORMANCES

Primary Accounting System X Subsidiary System _ Program System _

Name of System: General Ledger

Short Description of Material Nonconformance: Does not comply with A-127 and Title 2 requirements in a number of areas and does not use the Standard General Ledger account structure.

Functional Category in Statistical Summary: General Ledger control, Interfaces and Documentation.

Year Identified: 1988

Bureau/Appropriation: Administration Group/S&E

Administrative Activity/Program Activity: Finance

Targeted Correction Date: 1990

Description/Quantification of Nonconformance: The OPM's administrative financial and accounting systems are based on 1960's technology and do not have many of the characteristics of modern and efficient systems that OMB and GAO guidance now require.

Corrective Action: FMD plans the acquisition of off-the-shelf software modules in FY 89 and FY 90 with the development of necessary interfaces, documentation and operating procedures completed by the end of FY 1990. Implementation is targeted for 10/1/90.

Primary Accounting System _ Subsidiary System X Program System _

Name of System: Accounts Payable

Short Description of Material Nonconformance: Does not comply with requirements of Prompt Pay Act, A-127, and Title 2 in a number of areas and does not use the Standard General Ledger account structure.

Functional Category in Statistical Summary: Cash Management, Interfaces, General Ledger Control, Timeliness, and Documentation.

Year Identified: 1986

Bureau/Appropriation: Administration Group/S&E

Administrative Activity/Program Activity: Finance

Targeted Correction Date: 1990

Description/Quantification of Nonconformance:
The OPM's administrative financial and accounting systems are based on 1960's technology and do not have many of the characteristics of modern and efficient systems that OMB and GAO guidance now require.

Corrective Action: FMD plans the acquisition of off-the-shelf software modules in FY 89 and FY 90 with the development of necessary interfaces, documentation and operating procedures completed by the end of FY 1990. Implementation is targeted for 10/1/90.

Primary Accounting System _ Subsidiary System X Program System _

Name of System: Accounts Receivable

Short Description of Material Nonconformance: Does not comply with A-127 and Title 2 requirements in a number of areas and does not use the Standard General Ledger account structure.

Functional Category in Statistical Summary: Receivables, Interfaces, General Ledger Control, Timeliness, Cash Management and Documentation.

Year Identified: 1986

Bureau/Appropriation: Administration Group/S&E

Administrative Activity/Program Activity: Finance

Targeted Correction Date: 1990

Description/Quantification of Nonconformance:
The OPM's administrative financial and accounting systems are based on 1960's technology and do not have many of the characteristics of modern and efficient systems that OMB and GAO guidance now require.

Corrective Action: OPM plans the acquisition of off-the-shelf software modules in FY 89 and FY 90 with the development of necessary interfaces, documentation and operating procedures. Conformance is targeted for end of FY 1990 with implementation targeted for 10/1/90.

Primary Accounting System _ Subsidiary System X Program System _

Name of System: Payroll

Short Description of Material Nonconformance: Does not comply with A-127 and Title 2 requirements for interfaces and requires duplicate data entry

Functional Category in Statistical Summary: Interfaces, Payroll, and Duplicate Data Entry.

Year Identified: 1986

Bureau/Appropriation: Administration Group/S&E

Administrative Activity/Program Activity: Finance

Targeted Correction Date: 1989

Description/Quantification of Nonconformance:
The OPM's payroll system is antiquated, paper intensive system that lacks automated interfaces and requires extensive manual coding to enter payroll data.

Corrective Action: The Financial Management Division is working with OPEEO on automated interface of personnel data with the Payroll System and has undertaken incremental improvements in time and attendance data entry.

Primary Accounting System _ Subsidiary System X Program System _

Name of System: Property

Short Description of Material Nonconformance: No Property System is in place.

Functional Category in Statistical Summary: Property, Interfaces, and Documentation.

Year Identified: 1986

Bureau/Appropriation: Administration Group/S&E

Administrative Activity/Program Activity: Finance and Mgmt Svcs.

Targeted Correction Date: 1992

Description/Quantification of Nonconformance: Personal property inventory system was found to be inadequate to preserve the integrity of OPM personal property and was abandoned in FY 1987.

Corrective Action: Procurement of a personal property module is targeted for FY 90 with documentation and a nationwide physical inventory of OPM planned in FY 91. Implementation is scheduled for August 1990.

Q. A decrease of $55,000 and 11 FTE positions is proposed in the "automated data processing" activity for fiscal year 1990 as a result of greater use of private sector resources. Specifically, which activities will be "contracted out" and how was the savings in funding and FTE positions projected to result from "contracting out" these activities calculated?

A. These estimated savings are based on budget reductions of $5,000 for each FTE eliminated. OPM is in the process of upgrading its computerized systems and the overall budget request does include increases in ADP-related services. These general reductions represent estimates of what could be saved through improvements in the systems. We are not in a position to identify specific areas where these savings would materialize.

Q. Under the "other programs" activity, an increase of $3,473,000 and 55 FTE positions is requested to directly fund all 26 Federal Executive Boards currently funded by various agencies. Which agencies are currently funding these Boards?

What is the basis for the proposal to have OPM directly fund the Federal Executive Boards rather than the various agencies?

A. Funding is currently provided as follows:

Department or Agency		Federal Executive Board
USDA		Dallas New Orleans
Commerce		Miami
Defense	(Army)	Baltimore Detroit
	(Air Force)	Denver
	(Navy)	Honolulu
	(DLA)	Philadelphia
	(Defense Mapping)	St. Louis
	(Corps of Engineers)	Buffalo
Energy		Portland, OR
EPA		Boston Kansas City
GSA		Chicago
HHS		Atlanta
HUD		Seattle
Interior		Albuquerque Twin Cities
Justice		Los Angeles
Labor		San Francisco
NASA		Cleveland
OPM		Pittsburgh
Transportation		New York
Treasury		Houston Newark
VA		Cincinnati

When the Boards were established in 1961, no permanent funding mechanism was provided. Over the years, various agencies have volunteered funds for the operation of the Boards. Due to Government-wide budget cutbacks and Comptroller General decisions regarding the funding of the Boards, voluntary agency funding is becoming increasingly difficult to arrange. Consequently, OPM has proposed to assume the funding responsibility in order to guarantee funding in the future. Financial support is imperative to the operations and effectiveness of the Boards.

Q. An increase of $276,000 is proposed to encourage more applications to the President's Commission on Executive Exchange. Why is this out-reach effort necessary?

A. The increase of $276,000 that has been proposed will support the following targeted expenditures:

1. $25,000: The Commission, in compliance with Executive Order 12493, must have funds available to support the cost of air travel and per diem expenses for an estimated 18 to 20 Commissioners who will attend at least two annual Commission meetings convened in Washington, D.C.

2. $200,000: Implementation of Executive Order 12591 which established the Science and Technology Exchange Initiative Program requires funds to support the salaries of four full-time professionals who will assist with the administration of this new program.

3. $51,000: Procurement of ADP equipment and equipment furniture for the staff of the Science and Technology Exchange Initiative Program is scheduled as well as upgrading of existing ADP equipment.

TOTAL: $276,000

Q. The budget justification indicates a reduction of $303,000 and 8 FTE positions is being made in fiscal year 1990 under the "mandatory overhead expense" activity as a result of the reduction in the number of Presidential management interns within OPM. What is the reduction in the number of interns below fiscal year 1989 and how does this result in a reduction of 8 FTE positions?

A. OPM centrally funded 24 Presidential Management Interns in FY 1989 and will centrally fund 16 interns in FY 1990, a reduction of 8 interns. These interns are OPM employees and are included in our overall FTE ceiling. Program offices may directly fund additional interns if they so choose.

Q. A total $340,000 reduction is reflected in reimbursements to salaries and expenses for fiscal year 1990 as savings from actions taken in response to OMB Circular A-76. What specific actions are assumed and how was this $340,000 in savings calculated?

A. These estimated savings would be spread throughout the entire range of administrative services that are provided to OPM units whose programs are funded by Trust Funds. These services would involve the retirement and insurance support programs. The specific changes that would result in these savings have not yet been identified. It is important to note that these reductions are based on assumptions that may not necessarily prove accurate concerning levels of service and client satisfaction.

Q. The list of resource changes for the advances and reimbursements program in the fiscal year 1990 budget justification includes an increase of $2,175,000 and 34 FTE positions to process growing FERS and CSRS workloads and an increase of $130,000 and 5 FTE positions to reduce the backlog of disputed health benefit claims.

How timely is retirement processing currently and how will the quality and timeliness of retirement processing be improved in fiscal year 1990?

What is the current backlog of disputed health benefit claims and what reduction in this backlog do you expect to achieve in fiscal year 1990?

A. Interim annuity payments are currently authorized within 12 to 14 calendar days after OPM receives the retirement package from the employee's agency.

Final adjudication of a fully developed claim is completed within an average of 55 to 60 days after retirement records are received from the employee's agency (this 55 to 60-day timeframe includes the 12 to 14 days for authorization of interim payments.

A refund of retirement contributions is authorized within 12 to 14 calendar days after receipt of the refund application and complete retirement records from the employee's agency.

OPM has achieved this level of timeliness by concentrating resources on these high visibility workloads. In addition, we have undertaken a far-reaching quality control initiative aimed at improving the accuracy of retirement processing and promoting the retention of skilled workers. To the extent possible, resources have been devoted to the increased review of finished work products and the delivery of training to technical and professional staff. OPM will continue its efforts to provide job aids, training, and technical assistance to employing agencies in order to improve the quality and timeliness of agency submissions of retirement records to OPM, thereby reducing the time required for OPM to complete adjudication of claims for benefits. Depending on the imposition of new judicial and legislative workloads and the availability of resources, we plan to further expand our quality control efforts in fiscal years 1990 and 1991.

Of our current balance of 4,700 disputed health benefit claims on hand, 1,700 are currently in various stages of processing and 3,000 are backlogged. We estimate that, with a full staff complement in FY 1990, we will be able to reduce the backlog by 50 percent (or 1,500 claims) by the end of the year.

Q. The fiscal year 1990 Reagan Budget proposed legislation to (1) change the Government's contribution within the Federal Employees Health Benefits Program from the current "big six" formula to a weighted average, and (2) to require the Postal Service and D.C. government to pay the cost of providing health benefits for their retired employees and their survivors, saving a total of $970 million. Is this legislative proposal also being supported by the Bush Administration? If so, when will the proposal be submitted to the Congress?

A. President Bush endorsed the fiscal year 1990 Reagan Budget proposals for reforming financing under the Federal Employees Health Benefits law and OPM submitted a legislative proposal in this regard to the Congress on March 24, 1989.

Q. What would be the impact on OPM of "freezing" funding for fiscal year 1990 for the "salaries and expenses" account at the fiscal year 1989 appropriation level?

A. If the OPM Salaries and Expenses account were to be frozen at the FY 89 appropriation level, several important program areas would be affected. Most of the $5.6 million increase will go to the Personnel Systems and Oversight activity, the operating cost of the Federal Executive Boards, and the Administrative and ADP Services activities.

The Personnel Systems and Oversight activity increase of $1,452,000 is essential to continue our initiatives to reform the white-collar pay system, simplify the personnel management process with emphasis on maximum delegations to agency operating levels, and enhance Federal Executive Boards, and the Administrative and ADP Services activities.

The Personnel Systems and Oversight activity increase of $1,452,000 is essential to continue our initiatives to reform the white-collar pay system, simplify the personnel management process with emphasis on maximum delegations to agency operating levels, and enhance oversight of delegated authorities to insure they are exercised consistent with merit principles. Without increased funding, these initiatives would be severely curtailed or halted.

More specifically, the resources will be used to: (1) continue work on developing alternatives for consideration in dealing with the problems generated by the monolithic General Schedule; (2) respond to dramatic increases in agency requests for special pay rates to deal with major employee recruitment and retention problems; (3) significantly revise and improve the litigation-plagued non-foreign area cost-of-living allowance (COLA) program; (4) review, evaluate, and share information on research and demonstration projects designed to simplify and improve personnel management practices; and (5) support and improve agency internal evaluation of personnel practices as well as strengthen OPM oversight of delegated authorities through increased onsite review of agency personnel actions.

The objective of these initiatives is to assist agencies in recruiting and retaining a highly qualified, productive workforce. Without the additional resources, OPM efforts will be reduced and significant improvements will be more difficult to achieve.

In our Administrative Services activity, our operations would suffer in two critical areas if our request for an increase is not granted.

First of all, we would be unable to continue with ongoing space renovations and office improvements in FOB #9. Many of the plans for improving the quality of OPM's office space are known to employees throughout the building and are eagerly anticipated. We also would be unable to reduce our space utilization rates, make health and safety improvements, and save the cost of expensive commercially-leased space.

Secondly, we would be unable to increase resources in our personnel operations. In the early part of this decade, our personnel staff was greatly reduced when general RIF's were carried out at OPM. This area has since operated with nearly static resource levels while the basic costs of doing business are rising, delegations of personnel authorities have resulted in greater workloads, more active and innovative recruiting methods are needed, and personnel systems and available options continue to become more complex. All these factors have made it difficult to maintain minimum levels of service, let alone expand our activities to take on additional mandated workloads.

In our ADP Services activity, there would be a severe impact on several critical areas.

We would not be able to develop and install a comprehensive plan for both reducing the chances of a disaster and providing reliable and timely support to OPM programs in the event of major, unforeseen computer outages (e.g., fire, flood, bomb, etc.). This is of utmost importance, since every day the continuing operation of the agency and the Retirement programs becomes more and more dependent on real-time access to modern ADP technology.

We would be unable to put in place contract software maintenance service needed to correct problems which limit the flexibility, reliability, and responsiveness of our key procurement, financial, and administrative systems and which constitute internal control weaknesses. This funding is paramount in order to address the fact that most of these systems were initially developed over 20 years ago, are outdated technologically, and have generally exceeded their useful lifespan. Due to their age, they are inefficient, very labor-intensive to maintain, and unresponsive to program needs. Also, many of the systems do not have fully automated interfaces and, therefore, depend on manual intervention and redundant data entry--thus causing delays and increasing the potential for error. We would not be able to improve the reliability of these systems and reduce the potential for or correct financial internal control weaknesses, implement off-the-shelf financial software, and develop interfaces with existing systems to improve flexibility, maintainability, and functionality.

Finally, we would not be able to provide additional OPM managers and staff with electronic access to computer systems. This would prevent facilitating program operations in such key areas as Federal retirement systems operations and Government-wide personnel data management, facilitating the distribution of program information to OPM offices across the nation, and improving OPM program delivery systems' reliability and accessibility by installing and managing improved communications equipment.

If the Federal Executive Boards are not funded at the requested level of $3,474,000, they may continue to be funded by the various organizations that have supported them in the past. Unfortunately, experience has proven that funding by several organizations is not efficient and has a high degree of uncertainty. Because of this method of funding, we have found that the Federal Executive Boards spend a disproportionate amount of their time seeking funds and not focusing their efforts on services.

Funding the Federal Executive Boards through OPM would make them far more effective in: (1) providing a forum for the exchange of information between D.C. and the field about programs, management methods, and administrative problems; (2) conducting workshops, seminars, meetings, and video-conferences on timely subjects such as Federal Employees Health Benefits Program and the Computer Security Act; and (3) coordinating local approaches to national programs and such local interagency programs as may be approved by the OPM Director (e.g., Combined Federal Campaign, Savings Bond and Blood Drives, Public Service Recognition Week, Drug-Free Federal Workplace, Dependent Care, and AIDS Education).

Q. The Administration's fiscal year 1989 supplemental appropriations request would reduce OPM's fiscal year 1989 "salaries and expenses" appropriation by $1,187,000 as part of the proposed across-the-board cut in residual discretionary program accounts. What would be the impact on OPM of this proposed funding reduction?

A. At this point in the fiscal year, OPM would have to freeze practically all travel and discretionary other object and equipment purchases for the remainder of FY 1989. Purchases would have to be deferred until next fiscal year. The items deferred would have to compete with planned FY 1990 purchases or be funded by lapsing staff.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

Q. The U.S. Attorney for New Jersey, the Director of the Internal Revenue Service's New Jersey office, and two of New Jersey's largest Federal employers, the Picatinny Arsenal and the Lyons Veterans Administration Medical Center recently admitted that they can no longer compete with private sector employers because Federal pay and benefits do not keep pace with the region's high cost of living. The pay inequities result in lower morale, high turnover and increased administrative costs. More importantly, they significantly reduce the quality of Federal services provided in New Jersey.

I understand that OPM has established a working group, composed of the personnel directors of the agencies with the largest number of white-collar employees and the most severe staffing problems in the New York-Northern New Jersey metropolitan area, to recommend a short-term course of action to address recruitment and retention problems. Has that work group made any recommendations? If it has, do the recommendations address the regional pay problem? If the group has not submitted recommendations, when do you anticipate the report?

A. In August 1988, OPM convened an informal work group composed of personnel directors from the 10 agencies having the largest Federal employment in major metropolitan areas. The purpose of the work group was to look at pay-related staffing problems and possible short-term solutions, pending reform of the General Schedule. The work group met four times. It reviewed general information on all major metropolitan areas and more specific data for the New York City area. It concluded that special salary rates were the only form of short-term relief available under current law and that special salary rates already exist for the locations, occupations, and grades having the greatest difficulty.

The work group was not formal. It did not issue any written report and there are no plans for it to do so. The group members did agree that pay reform to make the General Schedule more sensitive to local market conditions is necessary. Until reform is achieved, the agencies will use the special salary rate program as they have been. They will request special salary rates for critical occupations, grades, and locations having the greatest staffing difficulties to the extent that they have the funds to pay the special rates.

Q. The FBI's New York Division has instituted a demonstration project resulting in significant salary increases for agents working out of that office. Are there any other demonstration projects currently underway that test innovative approaches to pay? If so, where are they being conducted? Can you provide an initial report as to the progress of those projects? Do you anticipate new demonstration projects in the future? Please provide any analysis you may have on the impact of these demonstration projects on retention and morale in offices geographically near, but not included in the demonstration projects.

A. We have prepared an inventory (copy attached) describing four current and two pending demonstration projects dealing with pay. Additional demonstration projects, some involving pay, are being planned for possible future implementation.

Apart from the Navy Demonstration ("China Lake") Project, the pay projects have been implemented only within the last year or so and are too recent to have produced significant findings. We are monitoring them carefully to ensure that data are being collected which will permit us to evaluate the results in the near future.

The FBI Demonstration Project will test specifically the impact of special pay provisions on both those receiving them and those nearby who are not eligible. The first comprehensive report on the project is due around the end of the year. Preliminary indications are that the New York office has been very successful in filling its vacancies and that there are morale problems in the Newark office because of its exclusion from the project.

INVENTORY OF DEMONSTRATION PROJECTS INVOLVING PAY

Under the Civil Service Reform Act of 1978, the Office of Personnel Management has the authority to approve agency projects involving waiver of Civil Service law and regulation in order to experiment with alternative approaches to personnel management. Outlined below is an inventory of demonstration projects that have been implemented or scheduled for implementation which have provisions relating to employee pay.

IMPLEMENTED PROJECTS

Navy (China Lake)

Authority: Title VI, Civil Service Reform Act. Project extended to 9/30/90 and limit of 5000 employees removed by Public Law 98-224, March 2, 1984. Project further extended to 9/30/95 by Public Law 100-566. October 21, 1988. Legislation extending project did not permit removal of project from the statutory maximum of ten active projects.

Coverage: 8000

Implementation Date: July 18, 1980.

The Navy Demonstration Project began in 1980 at the Naval Weapons Center at China Lake and the Naval Ocean Systems Center in San Diego. The two most important features of the project are simplified classification, including consolidation of GS grades into broader pay bands, and merit pay for all employees. The project also permits greater flexibility in setting starting salaries. In 1987 the project was expanded to permit payment of recruitment bonuses.

National Institute of Standards and Technology (NIST, formerly NBS)

Authority: Project was established by Public Law 99-574, October 28, 1986. Congress stipulated it be conducted under

OPM's Title VI authority and counted among the ten active projects.

Coverage: 3100

Implementation Date: January 1, 1988

Like the Navy Demonstration Project, this project features simplified classification with broad pay bands and performance-based pay for all white collar employees. It also includes a total compensation comparability (TCC) system, with annual general pay increases based on comparison of both NIST salaries and benefits (not just pay) to the private sector. (Actual payment of the increase depends on budgetary considerations and is at the discretion of the NIST Director. The Director may choose instead to pay the government-wide general increase.) Other pay features of the project are supervisory pay differentials, recruitment and retention bonuses, and liberalized travel allowances.

Pacer Share (Sacramento Air Logistics Center, McClellan AFB)

Authority: OPM's Title VI authority.

Coverage: 2000

Implementation Date: February 22, 1988

This project applies the Total Quality Management approach developed by Dr. W. Edwards Deming to the personnel system. Features affecting pay include consolidation of job series and pay banding (as in the Navy and NIST projects), along with a productivity gainsharing system which rewards employees based on the performance of the organization as a whole.

Federal Bureau of Investigation

Authority: Public Law 100-453, September 29, 1988. FBI is excluded from coverage under OPM's Title VI demonstration authority. Therefore the project is not being carried out under Title VI and is not counted toward the limit of 10 active projects.

Coverage: 2000

Implementation Date: October 23, 1988

The project covers all special agents and other designated key employees who are subject to directed reassignment to the New York office. Employees who are reassigned to NY after the beginning of the project, move to a residence within the prescribed 50 mile radius of the NY office, and sign a service contract agreeing to remain in the area at least three years (or forfeit the $20,000) will receive a lump-sum relocation bonus of $20,000. Additionally, all will receive retention bonuses of up to 20 percent of their rate of basic pay to be paid bi-weekly. At this time, all those affected are receiving the full 20 percent bonus which amounts to more than $360 per pay period for some.

APPROVED PROJECT NOT YET IMPLEMENTED

Department of Transportation/Federal Aviation Administration

Authority: OPM's Title VI authority

Coverage: 2150

Implementation Date: June 18, 1989

Description: The project will test the use of financial incentives -- retention allowances -- for difficult-to-staff positions to resolve the staffing and pay problems currently confronting the FAA in those sites. The retention bonuses of up to 20% of base pay would be paid only during the time employees actually occupy those positions on a quarterly basis. Positions covered are in air traffic control and other selected critical safety and support functions. The final project plan was published in the Federal Register in March. Under Title VI, implementation cannot occur until 90 days after publication.

APPROVED PROJECT - FINAL PUBLICATION OF PROJECT PLAN PENDING

Defense Logistics Agency

Authority: OPM's Title VI authority

Coverage: 1600

Implementation Date: October, 1989 (tentative)

Description: The project will test in DLA's Ogden, Utah Depot a skill-based pay concept successfully applied in a variety of private sector organizations. GS and FWS pay schedules will be combined into a single 5-level pay structure. Workers will be assigned to workteams each assigned to an level within the structure and will be responsible for a particular process or product. Individual team members become eligible for pay increases within the level as they acquire skills required for the team's work. Like the Pacer Share Demonstration, there will also be a productivity gainsharing system.

Q. What is the status of OPM's "Study of Federal Employees Locality Pay"? Has a contract been awarded to conduct the study? Is OPM reconsidering its decision to exclude Northern and Central New Jersey from its study?

A. OPM awarded a contract to The Wyatt Company on February 17, 1989. Their report is due in July 1989.

OPM received a number of requests to revise the geographic coverage of the locality pay study. (The study includes the Monmouth-Ocean, New Jersey Metropolitan Statistical Area and nearby New York and

Philadelphia, but not Northern New Jersey.) We understand legislators' concerns. However, the contract study is just that--a study of local pay models for a sample of areas. It is not designed to be the basis for new special rates or other immediate pay adjustments. Many areas were omitted due to the sample nature of the study. Given the research nature of the study, there was no need to change the geographic sample during the contracting process. Finally, the geographic areas covered in the study do not have any special advantage in future pay reforms. Indeed, areas are being sampled so that system-wide reform projections can be made.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF FEDERAL PROCUREMENT POLICY

STATEMENT OF DR ALLAN V. BURMAN, DEPUTY ADMINISTRATOR AND ACTING ADMINISTRATOR

INTRODUCTION OF WITNESS

Senator **DeConcini.** We will next hear from the Office of Federal Procurement Policy. We will be taking testimony from Mr. Allan Burman, Acting Administrator for the Office.

Will you please come forward, Mr. Burman. We welcome you here today, and if you will summarize your statement, your full statement will appear in the record.

If you care to have any staff with you, please have them join you.

Mr. **Burman.** Fine. I will be happy to do that. I am pleased to be here. I was here last year as a sort of silent partner as the Deputy Administrator.

I am the Deputy Administrator of OFPP, and have been Acting Administrator since last May. So I have been acting in this role for some time.

I will be happy to present my statement for the record. I would like to amend the statement. David Baker, our Associate Administrator, had planned to be with me here this afternoon. Unfortunately, there has been a death in his family. So he is back home in Kansas, and I will be making the presentation by myself.

What the administration is requesting for OFPP for 1990 is $2,660,000; that is an increase of $307,000 over the 1989 appropriated level.

This increase of roughly 13 percent will cover a small portion of the civilian pay raise, some inflation rental increases for GSA, and then allow some growth to cover new responsibilities for the office included in the OFPP Act Amendments of Public Law 100-679 that was passed last November and signed by the President.

Over the past year, our office has been involved in quite a few important issues. We have dealt with drug-free workplaces, with consultant conflicts of interest, with purchasing commercial products, with regulatory review, small business reform, and, also, with our provisions of the OFPP Reauthorization Act.

What I would propose to do is just briefly describe for you some of those new responsibilities from that act.

OFPP REAUTHORIZATION

As you know, the office is a relatively small office. It was set up in 1974. We have in the past had 4- or 5-year reauthorizations. We were delighted to see that this last reauthorization that was sponsored by Senators Chiles, Levin, Nunn, Bingaman, Cohen, and Roth on the Senate side, and by Chairman Brooks and Mr. Horton on the House side, resulted in a permanent reauthorization for the office.

Along with that permanent reauthorization, we were given various projects to work on, including establishing a Federal Acquisition Regulatory Council, reestablishing a Cost Accounting Standards Board within the Office of Federal Procurement Policy, and working on new provisions with regard to procurement integrity.

The FAR Council is to be made up of representatives from the Department of Defense, GSA, NASA, and OFPP, and it is given the responsibility to manage, coordinate, control, and monitor the Federal Acquisition Regulation.

We are in the process right now of trying to get that council started. We are looking at whether or not we should put a charter together to lay out the procedures for the operations of the council.

It is always a bit of a difficult process working with the various agencies and with OMB, and determining exactly what authorities should be given to us and to them. So that has been a somewhat difficult process, but we do have it underway.

We are also in the process of making appointments to the new Cost Accounting Standards Board. This is a Board that will be made up of the Administrator of OFPP, a representative from Defense and GSA—all three of those individuals are named—and then two private sector members: One, a representative of industry, and one knowledgeable on cost accounting standards.

We were to have these individuals named by March 17. Unfortunately, we have had some difficulties on that appointment process, specifically with regard to the problem of 18 U.S. Code 208, to the ethics provisions. This says that these individuals, if they are special Government employees, should not be taking any actions that could favor their firm. We are having difficulties in deciding whether or not it would be appropriate to put an active industry member on that board.

I think the intent of Congress was to try to get someone who has the expertise to provide a view of industry, but at the same time we want to be sure that there are no improprieties in who that individual might be.

Finally, there is a whole new series of procurement requirements coming out of the law: Prohibitions on accepting gratuities, having employment discussions with contractors, and revealing source selection information.

There is also a new 2-year post-employment ban for people involved in procurements. These are also areas that are quite controversial. There is some ambiguity on exactly when a procurement begins, when the provisions of the act apply, to whom they apply, what is source selection information, and we are working on all of those matters as well.

RECENT INITIATIVES

We have worked to come out with a Governmentwide regulation for grants and contracts on drug-free workplaces. We are pleased to see that come out. That has taken effect as of March 18.

We are in the process of drafting a policy letter on consultant conflicts of interest, and that will be provided to the Congress shortly for review. That, of course, is another issue that is relatively sensitive. There is concern on the part of private industry about revealing client lists and names and that sort of thing.

Commercial products, Toshiba bans, small business reform, these are many of the other areas that we have underway and that we are working on. We consider them all to be very important projects.

PREPARED STATEMENT

We appreciate the support that this committee has given to our office in the past, and we look forward to working on many of these issues together in the future.

That concludes my remarks, Mr. Chairman.

[The statement follows:]

STATEMENT OF DR. ALLAN V. BURMAN

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE TO DISCUSS THE FISCAL YEAR 1990 APPROPRIATION REQUEST FOR THE OFFICE OF FEDERAL PROCUREMENT POLICY. I AM ACCOMPANIED HERE TODAY BY DAVID BAKER, OFPP'S ASSOCIATE ADMINISTRATOR.

THE PRESIDENT HAS REQUESTED $2,660,000 FOR OFPP IN FY 1990. THIS IS AN INCREASE OF $307,000 FROM THE APPROPRIATED FY 1989 LEVEL OF $2,353,000. THE FY 1990 REQUEST, WHICH MARKS A 13 PERCENT INCREASE OVER THE 1989 APPROPRIATED LEVEL, COVERS ONE-QUARTER OF THE CIVILIAN PAY RAISES, INCLUDES A SLIGHT INCREASE DUE TO INFLATION, AND ENABLES OFPP TO CARRY OUT ITS NEW, EXPANDED MISSION AS REQUIRED BY THE OFFICE OF FEDERAL PROCUREMENT POLICY ACT AMENDMENTS OF 1988, PUBLIC LAW 100-679.

THE PRESIDENT'S REQUEST FOR 1990 DEMONSTRATES THE NEW ADMINISTRATION'S COMMITMENT TO OFPP AND TO IMPROVING THE PROCUREMENT PROCESS. THE FUNDING REQUEST, AND THE INCREASE IN AUTHORIZED STAFFING FROM 32 TO 37, WILL ALLOW OFPP TO VIGOROUSLY CARRY OUT THOSE REFORM INITIATIVES BEGUN LAST YEAR, AS WELL AS THOSE THAT HAVE BEEN ASSIGNED TO THE OFFICE BY CONGRESS IN OFPP'S REAUTHORIZATION.

THE PAST YEAR HAS CLEARLY BEEN ONE OF OFPP'S MOST PRODUCTIVE. OUR EFFORTS DURING THIS PAST YEAR HAVE FOCUSED ON TWO MAIN AREAS: WORKING ON IMPLEMENTING THE RECOMMENDATIONS OF THE PRESIDENT'S BLUE RIBBON COMMISSION ON DEFENSE MANAGEMENT, CHAIRED BY DAVID PACKARD, AND SEEING TO THE REAUTHORIZATION OF APPROPRIATIONS FOR OFPP. THESE TWO EFFORTS ARE ACTUALLY CLOSELY CONNECTED -- THE REAUTHORIZATION THAT CONGRESS APPROVED LAST YEAR SHOULD GREATLY HELP IN OUR ATTEMPT TO STREAMLINE THE PROCUREMENT PROCESS AND RETURN AUTHORITY TO THE CONTRACTING OFFICERS AS RECOMMENDED BY THE PACKARD COMMISSION.

ONE OF THE FIRST AND MOST IMPORTANT STEPS TO IMPLEMENT THESE RECOMMENDATIONS WAS BEGUN IN 1987 WHEN WE INITIATED OUR REGULATORY REVIEW PROGRAM. THIS PROGRAM, WHICH INVOLVES THE ENTIRE PROFESSIONAL STAFF OF OFPP, IS A SYSTEMATIC REVIEW OF ALL PROCUREMENT RULES AND PAPERWORK CASES TO INSURE THAT THOSE THAT ARE PROMULGATED ARE NOT OVERLY BURDENSOME OR UNNECESSARILY CONSTRAIN THE SYSTEM, AND THAT THEY IMPLEMENT ESTABLISHED ADMINISTRATION POLICY. TO THIS END, IN 1988 WE REVIEWED 206 REGULATIONS, RECOMMENDED CHANGES TO 66, AND HAD FOUR RETRACTED. AT THE SAME TIME WE WORKED WITH OMB'S OFFICE OF INFORMATION AND REGULATORY AFFAIRS (OIRA) AND EITHER DISAPPROVED OR ESTABLISHED CONDITIONS FOR APPROVAL ON 36 OF 63 PAPERWORK CASES THAT WE REVIEWED.

IN ADDITION, DURING THE PAST YEAR OFPP DIRECTED ALL THE AGENCIES TO CONDUCT A REVIEW OF THEIR AGENCY-UNIQUE PROCUREMENT REGULATIONS AND TO ELIMINATE THOSE RULES THAT ARE UNNECESSARY OR DUPLICATE THE GOVERNMENT-WIDE FEDERAL ACQUISITION REGULATION (FAR). ALTHOUGH THIS REVIEW IS NOT COMPLETE, EARLY ESTIMATES ARE THAT AS MUCH AS 20 PERCENT OF SOME AGENCY SUPPLEMENTS CAN BE ELIMINATED.

WE HAVE ALSO CONTINUED OUR ATTEMPT TO IMPLEMENT THE PACKARD COMMISSION RECOMMENDATIONS IN THREE OTHER KEY AREAS: RIGHTS IN TECHNICAL DATA, STREAMLINED PROCEDURES FOR BUYING COMMERCIAL PRODUCTS, AND IMPROVEMENT OF THE PROCUREMENT WORKFORCE. WE CONTINUE TO WORK WITH OIRA AND THE DEPARTMENT OF DEFENSE TO DEVELOP A SINGLE GOVERNMENT-WIDE REGULATION CONCERNING TECHNICAL DATA. THE RULE, AS THE COMMISSION RECOMMENDED, WILL ALLOW CONTRACTORS TO RETAIN THE RIGHTS TO TECHNICAL DATA DEVELOPED UNDER A GOVERNMENT CONTRACT WHILE ALLOWING THE GOVERNMENT ROYALTY-FREE USE OF THE INFORMATION. ALSO, WE ARE CURRENTLY WORKING WITH CONGRESS ON THE DEVELOPMENT OF LEGISLATION THAT WILL ALLOW COMMERCIAL-STYLE BUYING PRACTICES TO BE USED BY THE FEDERAL

GOVERNMENT. AND, FINALLY, WE HAVE SUCCESSFULLY COMPLETED OUR WORK WITH THE FEDERAL ACQUISITION INSTITUTE AND THE OFFICE OF PERSONNEL MANAGEMENT ON NEW QUALIFICATION STANDARDS THAT WILL IMPROVE THE PROFESSIONALISM OF THE PROCUREMENT WORKFORCE.

CONGRESS AND OFPP HAVE HAD EXTENSIVE DEALINGS IN THE PAST, BUT PERHAPS HAVE NEVER HAD TO WORK AS CLOSELY AS WE HAVE THIS PAST YEAR IN SUPPORT OF EFFORTS TO IMPROVE THE PROCUREMENT PROCESS. THESE EFFORTS HAVE LED TO THE ISSUANCE OF POLICY GUIDANCE IN MANY PROCUREMENT-RELATED AREAS:

- SANCTIONS AGAINST CONTRACTING WITH TOSHIBA AND KONGSBERG CORPORATIONS (AS REQUIRED BY THE OMNIBUS TRADE ACT), AND AGAINST CONTRACTING WITH JAPANESE OWNED OR CONTROLLED CONSTRUCTION FIRMS (AS REQUIRED BY THE FY 1988 CONTINUING RESOLUTION);
- CONTRACTOR AND GRANTEE CERTIFICATIONS OF A DRUG-FREE WORKPLACE;
- THE SMALL BUSINESS COMPETITIVENESS DEMONSTRATION PROGRAM; AND
- NEW "BUY AMERICAN" RESTRICTIONS AS REQUIRED BY THE BUY AMERICAN ACT OF 1988.

ON SEVEN SEPARATE OCCASIONS IN 1988 OFPP TESTIFIED BEFORE CONGRESSIONAL COMMITTEES ON ISSUES RELATING TO PROCUREMENT. WE HAVE ALSO BEGUN COMPILING AND DISTRIBUTING A LEGISLATIVE ACTIVITY REPORT. THIS REPORT, WHICH IS SENT TO ALL OF THE MAJOR PROCUREMENT AGENCIES, IS DESIGNED TO KEEP AGENCY PROCUREMENT EXECUTIVES UP TO DATE ON CONGRESSIONAL ACTIONS THAT COULD AFFECT GOVERNMENT PROCUREMENT. FINALLY, OFPP WORKED EXTENSIVELY OVER THE PAST YEAR AND A HALF WITH CONGRESS AND THE MAJOR

PROCUREMENT AGENCIES. IN SEEING THAT OFPP WAS NOT ONLY REAUTHORIZED, BUT THAT WE HAD THE PROPER AUTHORITIES TO CARRY OUT OUR MISSION. I BELIEVE WE WERE SUCCESSFUL.

THE OFFICE OF FEDERAL PROCUREMENT POLICY ACT AMENDMENTS WAS SIGNED BY PRESIDENT REAGAN NOVEMBER 17, 1988. IT CONTAINS MANY NEW AUTHORITIES THAT WE BEGAN TO EXERCISE, AND MANY NEW RESPONSIBILITIES THAT WE ARE CURRENTLY IMPLEMENTING. THESE NEW EFFORTS HAVE BECOME THE CORNERSTONE FOR ACHIEVING EFFICIENCY AND EFFECTIVENESS IN THE FEDERAL PROCUREMENT PROCESS.

THE MOST EXPANSIVE OF THESE NEW TASKS HAS BEEN THE DEVELOPMENT OF THE COST ACCOUNTING STANDARDS BOARD (CASB), WHICH WILL BE RESPONSIBLE FOR PROMULGATING STANDARDS TO BE USED FOR COST ALLOCABILITY IN CONTRACTS WITH THE GOVERNMENT. IN ITS ORIGINAL FORM, THE CASB WAS HOUSED IN THE GENERAL ACCOUNTING OFFICE WITH AN ANNUAL BUDGET OF APPROXIMATELY $1.7 MILLION AND A STAFF CEILING OF ABOUT 40 FTE. IT IS MY BELIEF THAT THE SLIGHT INCREASES IN FUNDING AND STAFF THAT WE HAVE REQUESTED FOR FY 1990 SHOULD BE ADEQUATE TO EFFECTIVELY MANAGE AND STAFF THE BOARD.

IN ALL, ELEVEN NEW TASKS WERE GIVEN TO OFPP IN THE 1988 REAUTHORIZATION. CHIEF AMONG THESE ARE:

- ESTABLISHING THE FEDERAL ACQUISITION REGULATORY COUNCIL CONSISTING OF THE SECRETARY OF DEFENSE, AND THE ADMINISTRATORS OF THE GENERAL SERVICES ADMINISTRATION, THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, AND OFPP;

- REVIEWING THE EFFECTIVENESS OF THE FEDERAL PROCUREMENT DATA SYSTEM;

- DEVELOPING GUIDELINES TO IMPLEMENT THE PROCUREMENT INTEGRITY PROVISIONS OF THE ACT AND ESTABLISHING A CONSISTENT METHODOLOGY FOR MEASURING CONTRACTOR PROFITS; AND

- PREPARING REPORTS ON THE STATUS OF REGULATORY ACTION AND THE EXTENT OF PROCUREMENT-RELATED PAPERWORK BURDEN.

SUMMARY

THE FEDERAL GOVERNMENT SPENDS APPROXIMATELY $200 BILLION ANNUALLY ON PROCUREMENT. IN 1974, CONGRESS REALIZED THE NEED FOR AN INSTITUTION THAT COULD HELP ASSURE THAT THE GOVERNMENT CONDUCTED ITS PROCUREMENT BUSINESS IN THE MOST EFFICIENT, COST EFFECTIVE MANNER POSSIBLE. TO THAT END, THE OFFICE OF FEDERAL PROCUREMENT POLICY WAS ESTABLISHED. OFPP HAS NOW BEEN REAUTHORIZED THREE TIMES AND THE REFORMS THAT HAVE BEEN INSTITUTED DURING THE PAST FIFTEEN YEARS, AND THOSE THAT WE ARE JUST NOW INITIATING, SHOULD NOT ONLY SAVE THE GOVERNMENT WORKFORCE MILLIONS OF MAN HOURS, BUT SHOULD ALSO SAVE THE GOVERNMENT CONTRACTOR A PROPORTIONATE AMOUNT OF TIME AND EFFORT AS WELL.

MANY OF THE NEW AUTHORITIES THAT OFPP WAS GRANTED DURING THIS PAST YEAR WILL REQUIRE A SUSTAINED EFFORT IN THE FUTURE. IT IS MY BELIEF HOWEVER, THAT THEY, COMBINED WITH OUR OTHER INITIATIVES, WILL ENABLE US TO CONTINUE THE FEDERAL PROCUREMENT REFORM PROCESS BEGUN IN 1974.

THE EFFORT TO REFORM THE PROCUREMENT PROCESS IS A CONTINUING RESPONSIBILITY. THE RECENT ALLEGATIONS OF PROCUREMENT FRAUD ONLY MAKE THESE EFFORTS THAT MUCH MORE TIMELY AND NECESSARY. LAST YEAR, BY MAKING OFPP'S REAUTHORIZATION PERMANENT, CONGRESS

RECOGNIZED THAT NOT ONLY IS THE PROCUREMENT PROCESS IN NEED OF REFORM NOW, BUT WILL ALWAYS NEED AN INSTITUTION WITH THE GOVERNMENT-WIDE POLICY AUTHORITY TO MAKE NEEDED DECISIONS.

WITH THE SUPPORT OF BOTH THE CONGRESS AND THE NEW ADMINISTRATION UNDER PRESIDENT BUSH, OFPP IS PREPARED TO CONTINUE ITS DRIVE TO STREAMLINE THE FEDERAL PROCUREMENT PROCESS INTO THE 1990'S.

I WOULD BE PLEASED, MR. CHAIRMAN, TO RESPOND TO QUESTIONS YOU OR THE OTHER MEMBERS OF THE SUBCOMMITTEE MAY HAVE.

Justification of Estimates for the 1990 Appropriations Request

APPROPRIATIONS LANGUAGE

1990 Regular Appropriations

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY

SALARIES AND EXPENSES

For expenses necessary for the Office of Federal Procurement Policy including services as authorized by 5 U.S.C. 3109, $2,660,000.

Mission Statement

The Office of Federal Procurement Policy, established in 1974, is responsible for promoting economy, efficiency, and effectiveness in the procurement of property and services by and for the Executive Branch.

SUMMARY TABLES

Budget Overview
(in thousands of dollars)

	Actual 1988	Estimated 1989	Requested 1990
Budget Authority	2,300	2,353	2,660
Obligations	2,128	2,353	2,660
Outlays	1,753	2,302	2,591

Personnel Overview

	1988	1989	1990
Full-time Equivalent Positions	25	32	37

SALARIES AND EXPENSES

Programing and Financing (in thousands of dollars)

	Actual 1988	Estimated 1989	Requested 1990
Program by activities:			
Procurement Policy	2,128	2,353	2,660
Financing:			
Unobligated balance lapsing	172	---	---
Budget Authority	2,300	2,353	2,660
Relation of obligations to outlays			
Obligations incurred, net	2,300	2,353	2,660
Obligated balance, start of year	287	659	710
Obligated balance, end of year	-659	-710	-779
Adjustments in expired accounts	-4	---	---
Outlays	1,753	2,302	2,591

Object Classification (in thousands of dollars)

	FY '88 Actual	FY '89 Estimate	FY '90 Request
Personnel compensation:			
Full-time	1,123	1,622	1,801
Other than full-time permanent	134		
Other Personnel Compensation	61	20	20
Special personal services payments	17	25	25
Total personnel compensation:	1,335	1,667	1,846
Personnel benefits	155	198	218
Travel and transportation of persons	26	31	40
Rental Payments to GSA	267	269	309
Communications, Utilities and Miscellaneous Charges	57	61	70
Printing and Reproduction	1	13	20
Other Services	200	56	88
Supplies and materials	27	28	29
Equipment	60	30	40
Total Obligations:	2,128	2,353	2,660

COST JUSTIFICATION BY OBJECT CLASS

Personnel Compensation (Object Classification 11), $1,846,000

This 1990 request represents an increase of $179,000 over the 1989 estimate. This increase will cover the January 1989 pay raise for civilian employees and also will permit the Office to increase its authorized strength to 37 FTEs. The additional staffing is necessary to perform OFPP's new and expanded statutory functions (Public Law 100-679), such as those in support of the Cost Accounting Standards Board (CASB).

When fully staffed, OFPP will be in position to fulfill its new responsibilities and to maintain its current role in the procurement regulatory area -- including the review of agency supplementary regulations. It will also permit greater OFPP involvement in the development and review of procurement legislation and related Administration initiatives.

Personnel Benefits (Object Classification 12.1), $218,000

This request is for OFPP's mandatory contributions to the Civil Service Retirement System, the Social Security Retirement and Medicare programs, the Federal Employee Life Insurance Program and the Federal Employees Health Program. It includes approximately $35,000 to meet the FERS requirements.

Travel and Transportation of Persons (Object Classification 21), $40,000

The increase in this request, $9,000 over FY '89, is necessary to cover the transportation costs incurred by the CASB members that OFPP is responsible for appointing. The request will also permit the Office to promote the Administration's procurement initiatives throughout the procurement community -- and to maintain the national visibility OFPP enjoys as the principal procurement policy organization of the Executive Branch.

Rental Payments to GSA (Object Classification 23.1), $309,000

The rental charge marks a significant increase over the FY '89 rate due to a reassessment of space occupancy in both the Old and New Executive Office Buildings by the Office of Administration. Of the $309,000 request, approximately $26,000 is for usage charges and the remainder is for rent.

Communications, Utilities and Other Rents (Object Classification 23.3), $70,000

This request includes payments of OFPP's pro rata share of the Executive Office of the President telephone switchboard, telephone service, after hour utilities and postage. The requested amount is approximately the same as FY '89, adjusted for inflation and the addition of new staff.

Printing and Reproduction (Object Classification 24), $20,000

This request covers the cost of publishing in the Federal Register; work done by the Government Printing Office (GPO) and other reproduction work which cannot be handled by the Office of Administration's printing facility. The request also includes printing charges for Congressionally mandated reports.

Other Services (Object Classification 25), $88,000

This request includes charges for computer time sharing, training and other related services. An increase over FY '89 is necessary to fund security investigations for new personnel.

Supplies and Materials (Object Classification 26), $29,000

This estimate is for the purchase of routine office supplies, periodical subscriptions, and additional work materials. It reflects the cost of supplies and materials associated with bringing several new staff members on board.

Equipment (Object Classification 31), $40,000

This request covers the purchase of word processing and related equipment for new and current employees, and to permit greater integration of OFPP into the OMB information processing system. It marks an increase over the FY '89 estimate due to costs associated with starting-up the CASB, including the purchase of personal computers and ADP equipment for the Board and its staff.

Summary of Increases and Decreases
from 1988 to 1989
(In thousands of dollars by object classification)

Fiscal Year 1989 Estimate	2,353
Increases:	
Personnel Compensation	+ 179
Personnel Benefits	+ 20
Travel	+ 9
Rental Payments to GSA	+ 40
Communications Utilities and Misc.	+ 9
Printing	+ 7
Other Services	+ 32
Supplies and Materials	+ 1
Equipment	+ 10
Total	+ 307
Fiscal Year 1990 Request	2,660

Personnel Summary

	FY '88 Actual	FY '89 Estimate	FY '90 Request
Total number of full-time permanent positions	32	32	37
Total compensable workyears full-time equivalent	25	32	37
full-time equivalent of overtime and holiday hours	0	0	0
Average ES salary	$72,675	$76,750	$78,660
Average GS grade	12.5	13.3	13.4
Average GS salary	$45,647	$49,159	$50,542

DRUG-FREE WORKPLACE

Senator DeConcini. Thank you. Let me touch on your drug-free workplace certification. Your testimony mentioned that you have issued policy guidelines for contractors and guarantee certification of a drug-free workplace. This is something of great interest to the subcommittee.

Can you tell us about your policy guidelines, and what procedures will ensure contractors' compliance with the drug-free workplace program?

Mr. Burman. The guidelines followed the law very closely. The law requires that employers set up a drug-free awareness program, establish a policy that says that people will not use, distribute, or manufacture drugs while in the workplace, and sets a series of requirements for firms to notify agencies if there should be convictions in the workplace.

So it is a conviction standard that is used. It applies in the workplace, and there is no drug testing associated with this particular law, the Omnibus Drug Bill.

I suspect that we will be relying on the regular contracting audit procedures that are conducted by the Department of Defense, for example, in the Defense Contract Audit Agency, or the inspectors general to ensure that this law is being taken care of and is being complied with.

Senator DECONCINI. Do you plan to have oversight on this once a contractor is certified to see whether or not they are in compliance?

Mr. BURMAN. Again, it would be the enforcement mechanisms of the various agencies and of the auditors and other people that they rely on that would perform that function.

Senator DECONCINI. They are the ones who will do it; you will not get any feedback or anything on it?

Mr. BURMAN. We would provide the policy guidance, and we would certainly be questioning the various agencies on how well this is going.

We get lots of feedback from people in industry and associations on these sorts of things, as you can well imagine. That is one of the main functions that this office was meant to serve.

PACKARD COMMISSION RECOMMENDATIONS

Senator DECONCINI. Your testimony states that you are attempting to streamline the procurement process and return authority to the contracting officers as recommended by the Packard Commission.

Can you explain why returning authority to the contracting officer will help to reduce procurement fraud, and what specific steps you are taking to comply with this particular recommendation?

Mr. BURMAN. We are looking to the recommendation to provide authority to the contracting officer, to serve as a way to increase the responsibility of that position, and to make that a more attractive position for people to aspire to. We believe that they should have the final authority, subject, of course, to the agency head, on the dealings with the contractor.

That does not say that they should not continue to rely on all of the input that they receive from the inspectors general or the Defense Contract Audit Agency in looking at whether or not contractors are continuing to comply with their responsibilities.

And, in fact, there have been various statistics about the numbers of cases of fraud that the IG and DCAA have found, and those numbers have shown continuing increases from year to year.

So that does not say that you cannot do one without the other. We do believe that the contracting officer who is ultimately responsible for that contract should be making the final decisions on that process.

OVERSIGHT OF DEFENSE

Senator **DeConcini**. How many staff within the Office of Federal Procurement Policy are designated to specifically evaluate Department of Defense procurement policies and oversight?

Mr. **Burman**. The way that we are set up, we have a legislative group and a policy group. We do not have an office structure that depends on any particular agency. So that if it is a particular policy area, that individual would be involved in Defense or in NASA or GSA or Energy, depending on what the issue might be.

The size of the office is 32. We have 28 on board right now.

Senator **DeConcini**. Well, the Defense Department being so large——

Mr. **Burman**. We spend a lot of time on it.

Senator **DeConcini**. Yes; I am surprised to hear you say you do not have some staff people that do nothing but Defense.

How many staff people do you have that work just evaluating Department of Defense procurement policy?

Mr. **Burman**. I would say that roughly 80 percent of the dollars that are associated with Federal procurement are Defense dollars. And I would say it is probably fair to say 90—I think 95 percent of the rules that are coming out deal with Defense or come out of the Defense Council. And so, we would have comparable percentages of our staff in terms of our time.

Senator **DeConcini**. You said 80 percent of your staff——

Mr. **Burman**. But they would not be designated that way.

Senator **DeConcini**. Yes; but that is what they would be working on.

Mr. **Burman**. But I think, in reality, we would be using a lot of our staff to deal with those kinds of issues.

Senator **DeConcini**. What is 80 percent of your staff?

Mr. **Burman**. That is roughly 24 people. Professional staff on board right now is 23. So that would be 16 or 17 people on board.

ADDITIONAL STAFF RESOURCES

Senator **DeConcini**. Is that enough to evaluate Department of Defense procurement policies, in your opinion?

Mr. **Burman**. I suppose one could always say you would like to have more staff, and we have recommended some additional staff. We have recommended some additional staff to assume these Cost Accounting Standard Board responsibilities.

On the other hand, we were meant to be a relatively small policy office, and I feel that we can do an adequate job with a relatively small staff.

Senator **DeConcini**. But the increase of five FTE's that you are talking about for 1990——

Mr. **Burman**. That is correct. That is mainly associating——

Senator **DeConcini**. Eighty percent of those will be reviewing Defense——

Mr. **Burman**. No; that is for a different function, because when the reauthorization bill was passed it gave us a new responsibility to establish this, the Cost Accounting Standards Board.

Senator **DeConcini**. So all five of those are going to that?

Mr. **Burman**. I suspect that we will probably need all of them to work on that Board. There was a Board in the 1970's. At that time there were some 25 people or so associated with that Board and a couple million dollars.

Now many of these cost accounting standards are already in place. So I do not think we will need that large a staff, but we may, in fact, need more than we have recommended some time in the future.

Senator **DeConcini**. OK. Thank you very much. I have no further questions.

Does Senator Domenici have any questions?

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. We have some questions from the Senator from New Mexico that we will submit to you.

Mr. **Burman**. Very good.

Senator **DeConcini**. Thank you very much.

Mr. **Burman**. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

FY 89 Supplemental

1. Question: The President's proposed FY 89 supplemental funding request calls for a $26,000 reduction for the Office of Federal Procurement Policy. What specific impact will this reduction have on your abilities to carry out your responsibilities if the congress were to approve this reduction?

Answer: There would be very little impact on our ability to carry out our assigned responsibilities. We plan to absorb this reduction in the personnel compensation area where several positions have remained unfilled for the first six months of the fiscal year pending the appointment of an Administrator.

Overview

2. Question: The FY 90 budget request for the Office of Federal Procurement Policy is $2.660 million and 37 full-time equivalent positions. This amount reflects an increase of $307,000 and five positions over the FY 89 enacted level of funding. The largest portion of your increase, $179,000 is requested for Personnel Compensation. Your testimony indicates that additional staffing is necessary to implement the reforms required in your reauthorization which passed in 1988. Can you tell us more specifically how you intend to use the additional five staff and why they are necessary to carry-out these reforms?

Answer: We plan to use all five additional positions for staffing of the Cost Accounting Standards Board, which will be established in OFPP this year as required by the Office of Federal Procurement Policy Act Amendments of 1988. Because the Board has not begun operation yet, it is difficult to be specific as to the duties of new staff. However, we do anticipate hiring an Executive Secretary to manage the Board, at least three policy analysts with a background in cost accounting, and one person in a support position. At this time OFPP has neither the staff resources nor the expertise to adequately carry out this new function.

In addition, part of the funding requested for Personnel Compensation will go directly to the two Board members who OFPP is responsible for appointing. They will be paid, as the statute stipulates, the equivalent of the daily rate for an Executive level V.

Travel

3. Question: Your FY 90 budget proposes a travel budget of $40,000, or $9,000 over the amount provided in FY '89. This amount reflects an increase of almost 30 percent. Your justification states this increase is necessary to support the travel of members of the Cost Accounting Standards Board, created under the Office of Federal Procurement Policy Act Amendments of 1988. Why is this sizeable increase in travel needed to support the responsibilities of this new Board?

Answer: The newly created Cost Accounting Standards Board (CASB) will consist of five members. Two of the Board members are from the private sector, two are from Federal agencies (DOD and GSA), and the Administrator of OFPP serves as the CASB Chairperson. In addition, OFPP has budgeted for five permanent full-time staff members to support the activities of the CASB.

The $9,000 increase in OFPP's travel budget reflects travel expenditures anticipated to be incurred principally in support of the two private sector members, as well as for the five full-time staff members. The two private sector members will hold part-time Federal appointments (1-2 days a month). P.L. 100-679 specifically directs that the CASB members who come from private life be reimbursed for lodging and travel expenses which they incur in attending Board meetings. Since we are unable to anticipate whether the private sector CASB members will come from the Washington, D.C. area, we budgeted modest amounts for travel, lodging and per diem. We also assumed that the Board would meet monthly. As such, the $9,000 budgeted for travel reflects a $750 per month travel allowance for the CASB ($375 per month for each of the private sector members). In addition, we anticipate modest travel expenditures for Board staff to attend professional meetings, and to speak to interested groups about developments concerning the cost accounting standards.

Communications, Utilities and Other Rents

4. Question: Your budget includes an increase of $9,000 for Communication, Utilities and Other Rents. The Budget Justification states this amount is "approximately the same" as FY 89, adjusted for inflation. Can you please provide the committee with a complete explanation of this object classification by amount?

Answer: In FY 88, OFPP spent $56,000 for communication, utilities, and other rents. The amount of telephone lines and the number of telephones the office had at that time was adequate to support a staff of 25. It is our estimate that a staff of 32 in FY 89 will require more phone lines and telephones that will amount to a budget of $61,000. This amount, approximately $1,800 per staff member, was then increased proportionately to cover a staff of 37, as is our request for FY 90. That increase necessitates a budget of $70,000.

Other Services

5. Question: You have requested an increase of $32,000, or 58% over the FY 89 enacted level of $56,000 for the object classification "other services". Your justification states this increase is necessary to fund security investigations for new personnel. Who conducts these investigations? This is a very significant increase in funding. Can you please provide the committee with a complete explanation of this account with specific information on what activities, by amount, will require increased funding.

Answer: The $88,000 requested for Other Services is necessary to fund a number of different contracted and maintenance services that are necessary for the Office to carry out its mission. We expect to spend in FY 89 and FY 90 approximately $69,000 annually on computer services alone. These include the contract for the computer network that is currently being installed in the New Executive Office Building (approximately $30,000 annually), our inter-agency agreement with the Federal Procurement Data Center to provide OFPP with procurement data at OFPP's request, and our computer subscription with Congressional Quarterly which provides the office with daily updates. We expect to spend an additional $10,000-15,000 in FY 90 on training and tuition so that OFPP employees can be kept up to date on all major issues affecting government procurement.

As for security investigations, in the past these have been conducted by the Office of Personnel Management, and cost approximately $1,800 per new employee. However, as of January, 1989 the Federal Bureau of Investigations (FBI) has accepted responsibility for conducting these investigations and there will no longer be a charge to each agency to cover the cost associated with these background checks. At this time, it is not clear how long the FBI will continue performing this function.

Equipment

6. Question: An additional $10,000 has been requested in your FY 90 budget to fund increased equipment costs for start-up of the Cost Accounting Standards Board. How many additional computers are necessary and what are the costs of each? Are the computers purchased or leased?

Answer: The computers, complete with terminal, printer, floppy disc drive, and the necessary software, are purchased for approximately $7,000 each. In addition, each machine will become a part of the computer network that has just recently been installed in OFPP. The $40,000 budgeted should be adequate to make these purchases as well as sufficient to cover the costs of any new office furniture that may need to be purchased for the new staff.

Unobligated Balances Lapsing

7. Question: I notice that you had $172,000 in unobligated balances lapse in Fiscal Year 1988. Can you tell this committee why these funds were requested but why they could not be used in FY 88? Can we assume your FY 89 will also end with unobligated lapsing balances? Please explain.

Answer: OFPP's request for FY 88 marked a significant (almost 50 percent) increase over the FY 87 appropriated level. The amount was requested as part of the Office of Management and Budget's effort to bolster OFPP so that OFPP could provide itself with the staff resources necessary to fulfill its mission. However, FY 88 began with the entire Federal Government operating under the Gramm-Rudman-Hollings sequester which lasted for approximately the first 90 days of the fiscal year. Because OFPP had to operate for the first quarter of the fiscal year under such a tight budget, all new hiring and related initiatives were put on hold until the budget increase became effective. After that time, the recruiting and hiring of additional staff could take place, but the funds that were saved during those first few months were never spent.

OFPP has operated since October 1, 1988 with its complete FY 89 funding and, therefore, it is not anticipated that the office will have a significant amount of unobligated balances lapsing at the end of this fiscal year.

Procurement Workforce

8. Question: Your testimony states that you have completed your work with the Federal Acquisition Institute and the Office of Personnel Management on new qualification standards to inspire the professionalism of the procurement workforce. What were the recommendations of these two groups and what steps are you taking to carry out their recommendations? How will improving the professionalism reduce the incidence of procurement fraud?

Answer: On August 10, 1989, the Office of Personnel Management issued the new civil service qualification standard for Contracting positions (GS-1102 series). The impetus for the development of the new qualification standard was the Packard Commission recommendations for improving the quality of the procurement workforce. This new qualification standard, which was jointly developed by OFPP, the Federal Acquisition Institute, and the Office of Personnel Management, insures recognition of minimum entry-level educational requirements. A college degree with at least 24 semester hours in a business or legal concentration, or equivalent experience, is required. The new qualification standard will provide the Government with better trained and better qualified individuals to assume the increasingly complex responsibilities associated with the management of Federal programs. Our hope is that this increased level of competence and professionalism will result in a reduction in the incidence of procurement fraud.

Other Policy Guidance

9. Question: Your testimony states that you have issued policy guidance for the Small Business Competitiveness Demonstration Program and the Buy American Act of 1988. Can you tell us something about your guidance procedures in this area?

Answer: Our guidance for the Small Business Competitiveness Demonstration Program closely tracks the requirements of the statute that established the Program, P.L. 100-656, the "Business Opportunity Development Reform Act of 1988." The statute and our implementing guidance require the nine agencies covered by the Program to use full and open competition for all procurements over $25,000 in the four industry groups designated for inclusion in the Program: construction; refuse systems and related services; architectural and engineering services, and non-nuclear ship repair. The participating agencies are required to monitor their awards to small businesses in the covered industry groups on a quarterly basis. If an agency finds that its small business award level for any industry group falls below 40 percent of the total contract dollars awarded for that industry group, the agency must reinstitute the use of small business set-asides to the extent necessary to bring its award level up to 40 percent.

The Buy American Act policy guidance that was issued in the March 3, 1989, Federal Register to comply with Section 7002 of the Omnibus Trade Act (P.L. 100-418), provided guidance on determining when a service, other than a construction service, is of foreign origin for purposes of making Federal government purchases of services. The policy guidance published reflected the comments received at a public hearing as well as the input of affected agencies. OFPP is currently conducting a study of the "rule of origin" in the Buy American Act to comply with another provision in the Omnibus Trade Act. This study is expected to be completed in February 1990.

Other Policy Guidance

10. Question: Your testimony points out that 11 new tasks were given to OFPP in the 1988 reauthorization act. Can you tell us how you intend to implement these new responsibilities with a very limited budget increase in FY 90? Which tasks will not be fully carried out due to funding shortfalls in FY 90?

Answer: Substantial progress has already been made in implementing the eleven taskings contained in the OFPP Reauthorization Act. For example, we issued guidance on April 7, 1989 to assist agencies in implementing the procurement integrity requirements of the statute, and are finalizing the required reports on the Federal Procurement Data System, Procurement Regulations and Paperwork Burdens Associated with Procurement. Other tasks included in the new assignments are of an on-going, oversight nature and will simply be absorbed within our existing resources. Examples include the policy and budget oversight responsibilities for the Federal Acquisition Institute and the Federal Procurement Data System.

The one area in which limited funding could delay progress is in the Cost Accounting Standards arena. We have to fully assess the likely workload associated with supporting the new Cost Accounting Standards Board, which was established by the act and is currently being formed. Effective performance of this function is likely to require substantial resources in FY 90 and beyond.

Government-wide Procurement Standards

11. Question: What types of systems have you developed or are in the process of developing?

Answer: OFPP issued a booklet, entitled Guidance for Developing Criteria to Evaluate/Certify Procurement Systems and to Enhance Competition, in order to achieve management improvements in the Federal procurement process. The booklet provides model criteria for evaluating procurement systems, model criteria for enhancing competition, guidance for implementing the criteria, and the procedures for certifying procurement systems to agency heads.

12. Question: What is the Federal Procurement Data System?

Answer: The Federal Procurement Data System (FPDS) is a computer-based information system established in 1978 by section 6(d)(5) of the OFPP Act of 1974 (P.L. 93-400). Section 6(d)(5) required the OFPP Administrator to establish a system for collecting, developing, and disseminating acquisition data which takes into account the needs of the Congress, the Executive Branch, and the private sector. The Federal Procurement Data Center, which operates the FPDS, produces a variety of standard and special reports. The system includes data on some 22 million annual contracts and purchase actions with obligations averaging, in recent years, about $200 billion. This is an increase of over 6 million contract and purchase actions and $94 billion since 1978.

Cost Accounting Standards Board

13. Question: The Cost Accounting Standards Board, which you intend to develop in FY 90, was formerly a $1.7 million dollar and 40 staff operation of the General Accounting Office. Your testimony indicates that you intend to effectively manage the Board within the Office of Federal Procurement Policy with a substantially smaller funding and staffing level. Can you tell us how you can achieve the goals outlined by Congress at the reduced funding and staffing level? What specific amount is budgeted for this activity in fiscal year 1990?

Answer: As was stated in the preamble to this question, during fiscal year 1990, OFPP intends to develop the Cost Accounting Standards Board (CASB). As such, we believe the funding requested is a reasonable amount for the CASB's activities during its first full fiscal year of operation. OFPP may seek additional funding for the CASB in future years, as the Board's agenda and operations become more clearly developed.

In answer to your question as to the specific amount of funding allocated to the CAS function of OFPP (excluding support provided by other OFPP Divisions as well as individuals on detail and interagency support), we have budgeted $250,000 for fiscal year 1990.

Commercial Procurement

14. Question: I understand that you are responsible for streamlining procedures for buying commercial products. What improvements have you made in these acquisitions?

Answer: OFPP has concluded that current, statutorily mandated procurement procedures are too rigid to allow contracting officers to take full advantage of the efficiencies possible when buying commercial products. This rigidity unnecessarily draws out the process and discourages contracting officers from exercising the discretion necessary to select products on the basis of best value rather than simply lowest price. The current procedures limit the utility of market research and favor the use of detailed specifications which reduce competition. Contracting officials need an efficient means for becoming familiar with available commercial products, identifying those that are most suited for agency needs, and taking account of differences in performance, reliability and other aspects of quality in addition to price. We have developed a new legislative proposal to accomplish these objectives. The new legislation would not mandate any particular procedures beyond those absolutely necessary to ensure observance of the fundamental tenets underlying the Competition in Contracting Act of 1984. To be effective, the new legislation will allow contracting officials to rely on demonstrated success in the commercial market, in place of detailed specifications and extensive tests, to ensure suitability for agency needs. It will also permit the requirements definition, market research, and product evaluation processes to be integrated. And, the legislation would give contracting officials sufficient discretion to achieve the substantial time savings that are possible when buying products off-the-shelf.

While enactment of legislation authorizing streamlined, commercial-style buying procedures is one of our top priorities, we also are seeking to identify areas where regulatory implementation of the current statutory framework might be improved. A major area of concern identified by industry is the burden imposed by unnecessary contracting officer demands for certified cost data. The new legislation we are developing would increase contracting officers' ability to rely on competition, in place of certified cost data, to establish prices.

Procurement of Proprietary Data

15. Question: You are responsible for establishing a more balanced policy on rights to technical data. Does this responsibility include issuing guidance to Federal agencies on what constitutes proprietary data?

Answer: Yes. The draft policy which is to be implemented in the FAR and DOD technical data regulations does include a definition of "technical data developed exclusively at private expense" or proprietary data and "technical data developed exclusively with Government funds". We are working with the agencies to define these terms so that they will meet agency needs and also provide for the necessary protection of proprietary data.

Federal Acquisition Regulations

16. Question: In 1984, the Federal Acquisition Regulations were jointly issued by the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration. What is your role in relation to these regulations?

Answer: We have several responsibilities in relation to the Federal Acquisition Regulation (FAR). These responsibilities are prescribed in the Office of Federal Procurement Policy Act (41 U.S.C. 401-20) (the Act), as amended by the Office of Federal Procurement Policy Act Amendments of 1988 (P.L. 100-679).

Section 6(a) of the Act gives us authority to prescribe Government - wide procurement policies which must be implemented in the FAR. Section 6(b) gives us authority to prescribe Government - wide regulations, procedures and forms when we determine that the Department of Defense, the National Aeronautics and Space Administration (NASA), and the General Services Administration (GSA) are unable to agree on or fail to issue Government - wide regulations, procedures and forms in a timely manner.

We also have responsibilities assigned to us under Section 4 of the OFPP Act Amendments of 1988. Section 4 amended the Act by adding a new section 25 that established the Federal Acquisition Regulatory Council. The Council consists of the Administrator of OFPP, the Secretary of Defense, the Administrator of NASA, and the Administrator of GSA, or the senior agency procurement official. The Council members have joint responsibility to manage, coordinate, control, and monitor the maintenance of, and issuance of and changes in, the FAR. In addition to the joint responsibilities under the Council, we review regulations relating to procurement for consistency with the FAR, and recommend rescission of those regulations found to be inconsistent with the FAR.

We also assist the OMB's Office of Information and Regulatory Affairs (OIRA) in its responsibility to review procurement regulations under the Paperwork Reduction Act and Executive Order 12291.

17. Question: Do you have authority to overrule these agencies' decisions regarding the joint regulations?

Answer: Yes. We have the authority (described in response to question 16, above) to prescribe Government - wide regulations when the Defense Department, GSA, and NASA fail to agree or act in a timely manner. We also draw upon OIRA's authority under the Paperwork Reduction Act and Executive Order 12291 to withhold approval of proposed FAR coverage.

18. Question: How often have you intervened in the situation of a disagreement amongst the agencies?

Answer: We have not formally intervened in a disagreement among the agencies. We have, however, informally used the leverage provided by the law to resolve a number of situations where there were differing opinions regarding specific regulations.

19. Question: If there is a conflict between the joint regulation and your procurement policies, which prevails?

Answer: We may prescribe Government - wide procurement policies under Section 6 (a) of the Act which must be implemented in the FAR. Any policies that we prescribe under this authority must prevail over conflicting FAR coverage.

20. Question: In addition to the joint regulations, which are Government - wide, is each individual agency responsible for developing their own implementing regulation? Who reviews the agency regulations to ensure that they comply with the Government - wide standards?

Answer: In addition to the FAR, each executive agency has authority to issue its own regulations implementing the FAR. However, this authority is limited by Section 25(c)(2) of the

Act to issuance of regulations essential to implement Government - wide policies and procedures within the agency, and additional policies and procedures required to satisfy the specific and unique needs of the agency.

Section 25(c)(3) of the Act requires that we, in consultation with the Council, ensure that procurement regulations promulgated by executive agencies are consistent with the FAR and in accordance with the policies set forth in Section 2 of the Act or any policies issued pursuant to Section 6(a) of the Act. We do this in several ways. We review procurement regulations submitted to OIRA under the Paperwork Reduction Act and Executive Order 12291. We also review both proposed and final agency procurement regulations published in the Federal Register. When we find an inconsistency with Government - wide standards we consult with OIRA and the agency to resolve the inconsistency.

In addition to our regular reviews, Section 25 (c) of the Act allows any person to request that we review any regulation relating to procurement on the basis that such regulation is inconsistent with the FAR. We are currently handling the first request under this authority. The other members of the FAR Council also have regulatory review functions. They are required to review their own agencies' procurement regulations, under Section 25(d) of the Act, to eliminate or reduce any redundant or unnecessary levels of review or approval in the procurement system of such agency, and redundant or unnecessary procurement regulations which are unique to that agency.

21. Question: I understand that you are responsible for reducing and simplifying procurement regulations. How many regulations have you rescinded under this mandate?

Answer: Our regulatory review system has been in place since February, 1987. Since that time, we have persuaded agencies to withdraw nine rules and seven procurement-related paperwork cases.

In addition, we asked agencies in May 1988 to review their procurement regulations that implement or supplement the FAR to assure that such regulations were: (1) essential to implement Government - wide policies and procedures within the agency; (2) required to satisfy the unique needs of the agency; and that such regulations met other statutory requirements or limitations, e.g., the requirements of the Paperwork Reduction Act. Agencies reported elimination of 881 pages of regulations, and simplification or changes to 816 pages.

Acquisition of Computer Software

22. Question: With the growing market in computer software I understand that many agencies buy identical software and each signs a restrictive licensing agreement which precludes the sharing of this information with other agencies even within the same department. Therefore, it seems that the Federal Government is paying 100 times over for the same proprietary information. What is your policy on the scope of Government licencing agreements?

Answer: For any company to invest scarce resources in the development of computer software, it must be assured of a reasonable return on that ivestment. The appropriate return on investment is determined in large part by the use of the software or its market acceptance. When a particular software package is highly valued by the market, its use and correspondingly the reward to the developing company will be high. If a user is able to copy the software without restriction, then the return to the developer will be reduced and the incentive to develop new innovative products and market them to the government will decrease as well.

When computer software is developed exclusively with private funds, the government in purchasing such software, therefore, must agree to certain restrictions or negotiate and pay for alternative use arrangements. These restrictions are those that apply to any purchaser of the proprietary computer software. In the absence of these protections, the developing contractor or subcontractor may refuse to sell to the government or may sell software that is outdated in its capabilities, in which case Government production and service delivery will not be as effective or efficient as would otherwise be possible.

Simplification of the Procurement Process

23. Question: While it is necessary to closely regulate federal procurement to prevent fraud and obtain the best price for the government, the Federal acquisition process is well known for being cumbersome, time consuming, and extremely restrictive. What recommendations do you have to simplify procurement statutes while maintaining the integrity of the process?

Answer: The greatest opportunities for achieving immediate simplification and acquisition leadtime reductions lie in taking maximum advantage of commercially available products and services. The Government should maximize its reliance on commercially available products and services, in place of Government-unique products and Government-operated activities. The best way to encourage such reliance is to ensure the statutory and regulatory framework allows agencies to capitalize on the efficiencies which buying commercial products and services make possible. OFPP's latest initiatives in that direction are the previously described joint DoD/OFPP effort to develop a new commercial products buying technique and the various OFPP/OMB efforts in support of performance-based service contracting. Fundamental to the success of those efforts are reliance on competition to establish prices and stimulate innovation, and on performance standards and monetary incentives to ensure performance. This performance-based approach minimizes the need for detailed proposals and cost breakdowns and avoids detailed "how to" specifications and resource intensive inspections.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

1. Question: An additional 5 full-time equivalent (FTE) positions are requested for the Office of Federal Procurement Policy in fiscal year 1990. What number of additional positions are needed to support the Cost Accounting Standards Board (CASB)? How will the other FTE positions you are requesting be allocated?

Answer: OFPP has requested 5 additional positions in its fiscal year 1990 budget request. All 5 of the additional positions are in support of the activities of the CASB. In future years, as the CASB's operations develop, we may request additional positions to be devoted to the CASB. At this time, we are unable to specify the exact number of full-time positions which the CASB may eventually require. Such decisions will be left to the discretion of the Board members, including the Administrator of OFPP.

OFPP's 32 other full-time position equivalents (which represent no increase from fiscal year 1989) will continue to be utilized on the priority projects which have developed during the past two years, as well as on statutory projects which have grown out of the OFPP Act Reauthorization. Specific priority areas, in addition to the CASB, include regulatory review activities, management of the Federal Acquisition Regulatory Council, procurement integrity guidance and training, the "rule of origin" study under the Buy American Act, Federal Procurement Data System maintenance, drug-free workplace implementation, OMB Circular A-76 reviews, procurement legislation development and analysis, and continued efforts to streamline the contracting process, to name but a few.

2. Question: Of the $9,000 increase over fiscal year 1989 requested for travel, what amount of the increase requested is associated with the transportation costs of CASB members?

Answer: The $9,000 increase in OFPP's travel budget reflects travel expenditures anticipated to be incurred principally in support of the two private sector CASB members, as well as for the five full-time CASB staff members. The two private sector members will hold part-time Federal appointments (1-2 days a month). P.L. 100-679 specifically directs that the CASB members who come from the private sector be reimbursed for lodging and travel expenses which they incur in attending Board meetings. Since we are unable to anticipate whether the private sector CASB members will come from the Washington, D.C. area, we budgeted modest amounts for travel, lodging and per diem. We also assumed that the Board will meet monthly. As such, the $9,000 budgeted for travel reflects a $750 per month travel allowance for the CASB ($375 per month for each of the private sector members). In addition, we anticipate modest travel expenditures for Board staff to attend professional meetings, and to speak to interested groups about developments concerning the cost accounting standards.

3. Question: An increase of $88,000 is requested over Fiscal Year 1989 for "Other Services". Would you please provide a specific breakdown of this requested funding increase; for example, the amount associated with security

investigations for new employees, the amount for training, etc.

Answer: The $88,000 requested for Other Services for fiscal year 1990 (which amounts to a $32,000 increase over FY 1989) is for services that are necessary for the office to carry out its mission. We expect in FY 90 to spend approximately $69,000 on computer services alone. These include the contract for the computer network that is currently being installed in the New Executive Office Building (approximately $30,000 annually), our inter-agency agreement with the Federal Procurement Data Center to provide OFPP with procurement data at OFPP's request, and our computer subscription with Congressional Quarterly which provides the office with daily updates. We expect to spend an additional $10,000-15,000 in FY 90 on training and tuition so that OFPP employees can keep up to date on major issues affecting government procurement.

As for security investigations, in the past these have been conducted by the Office of Personnel Management, and cost approximately $1,800 per new employee. However, as of January, 1989 the Federal Bureau of Investigations (FBI) has accepted responsibility for conducting these investigations, and there will no longer be a charge to each agency to cover the cost associated with these background checks.

4. Question: President Bush's fiscal year 1989 supplemental funding request proposes to reduce OFPP's fiscal year 1989 appropriations level by $26,000 as part of the proposed across-the-board cut in funding for residual discretionary programs. What impact would this proposed fiscal year 1989 funding reduction have on OFPP?

Answer: There would be very little impact. We would absorb the reduction in the personnel compensation area where several positions have remained vacant for the first six months of the fiscal year pending the appointment of an Administrator.

5. Question: What would be the impact on OFPP of "freezing" its funding for fiscal year 1990 at the fiscal year 1989 appropriations level?

Answer: The bulk of the proposed increase for FY 1990 is intended to support the new Cost Accounting Standards (CAS) Board, which was established by the new OFPP Reauthorization Act. Without additional funding, we will be unable to hire necessary staff and arrange for office space to support the CAS function. In addition, we would be hard pressed to fund the salary and travel requirements of the private sector members of the Board.

6. Question: You indicate in your testimony that in 1988, OFPP reviewed 206 regulations, recommended changes to 66 and had 4 retracted. How many regulations and paperwork cases has OFPP reviewed since 1987 when its regulatory review program was initiated? How many changes has OFPP recommended? Have all those changes OFPP recommended been implemented? If not, why? How many regulations have not yet been reviewed by OFPP?

Answer: Since February, 1987, when the OFPP Regulatory Review Program was initiated, through March 1988, OFPP has reviewed 341 regulatory actions and 134 paperwork cases. We have recommended changes or requested that the agency withdraw the rule or paperwork request 185 times. To the best of our knowledge, all the OFPP recommended changes have either been implemented or are currently under review by the initiating agency. OFPP currently has 49 rules and 18 paperwork cases under review. For a more complete list, OFPP will shortly be publishing the Procurement Regulatory Activity Report, as required by the OFPP Act Amendments of 1988, which will include a summary of all current Federal Government procurement-related regulatory activities.

7. Question: You indicate in your testimony that OFPP has completed its work with the Federal Acquisition Institute and the OPM on new qualification standards to improve the professionalism of the procurement workforce. What are the new qualification standards being recommended, and how and when will they be implemented?

Answer: On August 10, 1988, the Office of Personnel Management issued the new civil service qualification standard for Contracting positions (GS-1102 series). The new qualification standard, which was jointly developed by OFPP, the Federal Acquisition Institute, and the Office of Personnel Management, insures, for the first time, recognition of minimum entry-level educational requirements of a college degree, or equivalent experience, with at least 24 semester hours in a business or legal concentration. The new qualification standard will provide the Government with better trained and better qualified individuals to assume the increasingly complex responsibilities associated with the management of Federal programs. The new qualification standard became effective January 1, 1989, and has been implemented by the Office of Personnel Management and agency personnel offices, and applies to all individuals who seek entry into Contracting positions (GS-1102 civil service series).

8. Question: You indicate that OFPP has recommended a rule concerning technical data, i.e., that contractors be allowed to retain the rights to technical data developed under a Government contract while allowing the Government royalty-free use of the information. Do OIRA and the Department of Defense support the rule recommended by OFPP? If not, what changes to the rule have been recommended?

Answer: OFPP has recommended changes to the DOD interim rule published in October 1988. OIRA has fully concurred with these recommended changes and has referenced the OFPP comments in the clearance of the paperwork associated with the rule.

DOD and OFPP agree these regulations must balance the need for Government access to technical data with the need for protection of privately developed technical data, but we have yet to fully agree upon specific language to achieve that balance. We are working with DOD to resolve this issue.

9. Question: What role has OFPP had in assuring that the sanctions imposed against contracting with the Toshiba and Kongsberg Corporations by the Omnibus Trade Act and against

contracting with Japanese owned or controlled construction firms by the fiscal year 1988 Continuing Resolution Appropriations Act are carried out?

Answer: OFPP issued guidelines in March 1988 to help ensure the uniform application of Section 109 of the FY 1988 Continuing Resolution. Section 109 prohibits the expenditure of funds to contract with Japanese firms for public works construction purposes. Regulations to implement the sanctions were issued in the Federal Acquisition Regulation in April 1988, and in January 1989 OFPP issued further guidance regarding the continuing applicability of the restriction to funds obligated, but not expended, in FY 1988. The Section 109 restrictions were generally self-policing. While OFPP received a number of telephone calls regarding interpretations of the restrictions, monitoring was not a problem. Non-Japanese owned firms may protest any proposed contract awards to restricted firms.

The Omnibus Trade and Competitiveness Act of 1988 (P. L. 100-418) required that the President impose sanctions for a three year period to prohibit Federal agencies from procuring products and services from Toshiba Machine Company, Kongsberg Trading Company, Toshiba Corporation and Kongsberg Vaapenfabrikk. The President implemented the sanctions in Executive Order 12661, December 27, 1988. The Executive Order tasked OFPP to provide guidelines to the agencies and departments for implementing the contracting sanctions. These guidelines were issued by OFPP on January 13, 1989. The guidelines addressed such questions as what companies and corporations are covered by the sanctions, whether exceptions exist and who determines them, the application of the sanctions to spare and component parts, and what actions need to be taken regarding ongoing contracts with sanctioned companies. The monitoring of these guidelines, similar to the construction guidelines, occurs primarily in the marketplace where any aggrieved contractor can protest any inappropriate contract award.

10. Question: You indicate that OFPP has begun compiling and distributing a legislative activity report to all major procurement agencies. Is there any chance you might share that with the subcommittee also?

Answer: The OFPP report on procurement related congressional activities is compiled periodically and distributed to the procurement offices in Executive agencies. It is designed to help keep the agencies abreast of activities on the Hill that are of interest to the entire Federal procurement community. The response we have received indicates that it is quite useful to the agencies, and we would be happy to add the Subcommittee to our mailing list.

11. Question: You indicate in your testimony that eleven new tasks were given to OFPP in the 1988 reauthorization. What funding is included in the fiscal year 1990 request to allow OFPP to perform each of these new tasks?

Answer: Many of the eleven taskings are required to be completed during the current fiscal year, and consequently, funding in 1990 is not necessary. Others, moreover, are of an on-going oversight nature and will simply be absorbed by our existing workforce without the need for additional funding.

One new tasking, however, specifically requires new funding since this office does not currently possess the staff expertise to support it, namely the Cost Accounting Standards function. Our FY 1990 request includes $250,000 for this purpose.

12. Question: The Fiscal Year 1990 Management Report indicates that an increasing percent of federal contract dollars have been awarded competitively, rising from 41% in 1981 to 58% in 1988 -- 1% from the 59% 1989 goal set by the administration. Do you expect to achieve the 59% by the end of 1989? What goals have you set by 1989?

Answer: Based on the trends established since the enactment of the Competition in Contracting Act (CICA), we have every reason to believe that the Administration's goal of 59% of Federal contract dollars awarded competitively will be reached in 1989. However, it is difficult at this time to project beyond the next fiscal year. Each Agency sets its own goal for the next fiscal year, and reports this to Congress in its annual competition report required by CICA. These goals are based on budgetary data available in September and are subject to the impact of budgetary changes during the fiscal year.

SUBCOMMITTEE RECESS

Senator DECONCINI. The subcommittee will stand in recess until 10 a.m, on Tuesday, May 2, when we will receive testimony from the Secretary of the Treasury.

[Whereupon, at 3 p.m., Tuesday, April 18, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, May 2.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

TUESDAY, MAY 2, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:50 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Domenici, and Kerrey.

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

STATEMENT OF HON. NICHOLAS F. BRADY, SECRETARY

ACCOMPANIED BY:

- DAVID M. NUMMY, ACTING ASSISTANT SECRETARY FOR MANAGEMENT
- RICHARD A. SMALL, ACTING DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service, and General Government will come to order.

This morning we will continue our fiscal year 1990 budget hearings on the Treasury Department. We are very honored, Mr. Secretary, to have you with us today. We look forward to working with you. I know you have a very hectic schedule, with the savings and loan crisis and other things that you have been confronted with, not to mention Third World debt, or our own national debt.

So I appreciate your making time in your schedule, Mr. Secretary, to be with us. These are very important hearings for us on Capitol Hill. It is really our responsibility, and obligation, and often our only chance to get an opportunity to hear what is the rationale from the executive branch of Government, as to their expenditure priorities, how they come to those conclusions, and how they are going to be implemented.

Obviously, we have the right to conduct oversight, and we will do so, but this is a most sensitive time, when we are preparing for markup.

Before we begin, I just wanted to say that this subcommittee enjoyed a very close working relationship with your predecessor, Secretary Baker. He and I had differences on occasion, but we were just "a phone-call-away" from each other, as was Senator Abdnor when he was chairman of this subcommittee. I would like to extend that same accessibility to you, Mr. Secretary, if you have problems with this subcommittee, concerning your particular budget.

You may proceed. Your full statement will appear in the record, if you would summarize it for us.

By the way, for the record, Senator Domenici is on the way from a downtown meeting, and has suggested that I proceed this morning.

FISCAL YEAR 1990 BUDGET REQUEST

Mr. **Brady**. Thank you, Mr. Chairman.

I am pleased to be able to appear before this subcommittee today to discuss the operating budget request for the Department of the Treasury for fiscal year 1990.

I also appreciate your patience. We have rescheduled this hearing a number of times in order to complete our negotiations on the fiscal year 1990 bipartisan budget agreement, and I really do appreciate your forbearance on that. It was extremely helpful in being able to concentrate on that all important document.

I will keep my opening remarks brief, and if there is no objection, will request that my formal testimony be included in the record.

The operating budget for the Department of the Treasury was developed in accordance with the President's pledge to limit the growth of Federal spending, while providing, at the same time, the resources to effectively carry out Treasury responsibilities.

For those responsibilities, let me highlight several key objectives embodied in our fiscal year 1990 budget.

Our foremost priority is to maintain the effectiveness of our tax administration system, which provides so much of the revenue essential to Federal Government operations.

Our request includes funding necessary to modernize systems, and deliver the quality of service that the public both expects and deserves.

Our second objective is to maintain the ability of the Internal Revenue Service to promote tax compliance and collect revenue, while supporting improvements over prior years' efforts.

Our third objective is to support the President's war on drugs by promoting the Department's work in this area, especially the role of the Customs Service in drug interdiction.

Fourth, we must fulfill our other law enforcement and protection responsibilities, including the continued enforcement of the Nation's trade laws.

Fifth, the Department plans to continue effectively managing the Nation's finances and servicing America's debt.

Next, we must continue to provide support for domestic and international economic policy formulation, as well as management oversight within the Department.

Finally, we must also produce enough coin and currency to meet the Nation's demands.

Mr. Chairman, the fiscal year 1990 budget request for the Department of the Treasury represents a crucial investment in the ability of the Department to carry out its tax collection, financial management, and public debt accounting responsibilities.

It is also an integral part of the President's commitment to thwart the traffic in illegal drugs. Further, it represents a mandate to carry out many of the most essential functions of the Federal Government.

I would be happy to answer any questions from the subcommittee.

Mr. Chairman, I would also like to thank you for the offer to continue Secretary Baker's phone-call-away method of operation. We would very much like to think that we have the same kind of relationship with your committee. We can answer any questions as quickly as we can by means of the telephone, clear up any misunderstandings that might possibly occur.

Senator DECONCINI. Thank you, Mr. Secretary.

INTRODUCTION OF WITNESSES

Would you like to introduce Mr. Small and Mr. Nummy? Though they are well known here, you may introduce them for the record.

Mr. BRADY. Yes; Mr. David Nummy, who is Acting Assistant Secretary for Management, and Mr. Rick Small, who is Acting Deputy Assistant Secretary in the Enforcement Division.

[The statement follows:]

STATEMENT OF HON. NICHOLAS F. BRADY

Mr. Chairman, members of the committee: I am pleased to be here today to discuss with you the operating budget request for the Department of Treasury for fiscal year 1990.

Over the past few weeks, I have testified before the Senate and the House Budget Committees and Appropriations Committees as one of the Administration's economic spokesmen. We talked about President Bush's key budget proposals, including funding to win the war against drugs, to emphasize education and environmental issues, and plans to assist the homeless. We also talked about the Administration's plan to resolve the savings and loan crisis, important revenue related measures, and the need to improve our competitive position in the world economy.

My remarks, today, focus not on the economic and tax policy underlying the President's budget, but on that portion of the overall budget that pertains to the operations of the Department of the Treasury. As you are aware, the President's fiscal year 1990 Budget proposes freezing, at fiscal year 1989 levels, the aggregate spending of domestic programs not directly associated with one of his five broad initiatives. The Administration strongly encourages full funding of the Department's $0.5 billion request to continue the War on Drugs, including the increases proposed by President Bush to increase cargo inspections for drug smuggling and expand efforts to fight money laundering.

Although most of our programs are included in the aggregate domestic discretionary spending category, the President has emphasized that the freeze is flexible, allowing some programs to increase while others are reduced. Discussions concerning increases or decreases to specific programs within the freeze category are ongoing between Congressional leaders and Administration officials.

The Department of the Treasury carries out a wide variety of functions that are critical to the functioning of our Nation's government. These activities include: Administering the Nation's tax system and collecting the revenues due under our tax laws; managing the government's finances, by financing the debt, paying obligations, and maintaining the fiscal accounts; collecting customs duties at our Nation's borders; interdicting illegal and dangerous drugs; and providing for the protection of the President and the Vice President; and assisting the President in directing the Administration's domestic and international economic policies, monetary and financial affairs, and tax policies.

For fiscal year 1990, the Department is requesting a total of $8.0 billion and 155,748 full time equivalent positions for the purpose of carrying out these critical responsibilities. This request represents an increase of $311 million and 1,990 full time equivalent positions compared to fiscal year 1989.

I would like to highlight a number of objectives of our fiscal year 1990 budget request:

I. Our key priority is to maintain an effective tax administration system by transforming many manual, paper-intensive operations into a modern, automated system capable of delivering first quality service while processing returns and collecting revenues.

The Department's budget for the Internal Revenue Service, the largest Treasury bureau, takes account of the continued growth in tax administration workload and the pressing need for modernized systems. For the IRS, this entails pursuing the redesign of our current tax processing system—a system first introduced in the early 1960's, but today, aged and deficient in terms of available technology. This budget request will not only help guarantee the efficient collection of tax revenues through the turn of the century, but also will provide for the continuing improvement in service levels that the taxpaying public expects and deserves, reducing response times from weeks and days, in some cases, to a matter of minutes.

II. Our second objective is to maintain the ability of the Internal Revenue Service to promote tax compliance and collect revenue, while supporting improvements in these areas.

Improving service levels through modernization of tax collection systems will provide a necessary boost to our ability to promote tax compliance. However, the request for the IRS also contains the funds necessary to improve important, ongoing revenue enforcement activities. We propose to accomplish this objective by increasing resources for several high yielding revenue efforts, including the collection of unpaid taxes, compliance efforts among U.S. citizens living abroad, and investigations into possible underpayment of employment taxes. Finally, we plan to augment the IRS' ability to perform examinations of tax returns where there are simple discrepancies that have a revenue impact.

The Bipartisan Budget Agreement for fiscal year 1990 was approved last week by the President and the Congressional leaders of both parties. Incorporated into that agreement are $0.5 billion in additional revenues to be derived from expanded IRS tax enforcement efforts. To meet this target, additional resources will be required for IRS enforcement programs above the fiscal year 1989 enacted levels. After the new resource requirements are determined, they will be provided to the Congress as part of the continuing negotiations on the fiscal year 1990 budget.

III. A third objective is to support the President in his efforts to end the scourge of drugs by promoting the Department's role in drug law enforcement.

The role of the U.S. Customs Service in inspecting the people and goods crossing our Nation's borders places the Department of the Treasury at the forefront of President Bush's efforts to stem the tide of illegal drug trafficking. In fiscal year 1990, the Customs Service will continue to participate in drug enforcement task forces in major cities across the Nation and to increase drug interdiction efforts along our borders. The Department is requesting the additional resources to expand contraband examinations and improve automated systems that support investigative and intelligence operations. We also seek continued development and refinement of automated systems such as the Customs' Automated Commercial System to enhance productivity and improve the effectiveness of operations.

IV. Our next major objective is to fulfill our other law enforcement and protection responsibilities, including the continued enforcement of the Nation's trade laws.

The Department's budget requests funds for continuing law enforcement and support operations provided by the Federal Law Enforcement Training Center, the Customs Service, the Bureau of Alcohol, Tobacco and Firearms, and the Secret Service.

Considering Treasury's pivotal involvement in Federal law enforcement and our critical need to both hire and retain the most highly skilled law enforcement personnel, the Department supports the work of the National Advisory Commission on Law Enforcement. We need a fair compensation system, applicable to all Federal law enforcement personnel, to confront recruitment and retention problems, and to address the compensation issue as it relates to other Federal, state, and local law enforcement agencies.

We also remain committed to the concept of consolidated training in order to take advantage of scale economies and address the shared needs of our Nation's diverse law enforcement personnel. The request for the Federal Law Enforcement Training Center will support a facility that fully meets the basic and advanced law enforcement training needs of the participating agencies.

In addition to the drug interdiction efforts already mentioned, the Department proposes to provide funding for the Customs Service that will allow the collection of $19 billion in revenue through the enforcement of the Nation's trade laws. The Department's proposed funding will support the rapid inspection and clearance of 9.8 million formal merchandise entries and 370 million passengers.

We seek funds for the Bureau of Alcohol, Tobacco and Firearms to continue conducting programs to reduce the criminal use of firearms and explosives. In addition, funding the operations of the Bureau will provide for the collection of an estimated $10.3 billion in excise taxes on alcohol and tobacco.

The proposed budget for the Secret Service takes into account the need for improved security at the Vice President's residence, vital upgrades to information and communications systems, and improved administration of responsibilities that include the protection of the President and the Vice President, and the investigation of currency counterfeiting, check forgery, and other types of fraud.

V. The Department's fifth objective is to continue to effectively manage the Nation's finances and service America's debt.

The request for the fiscal service bureaus—the Financial Management Service and the Bureau of Public Debt—furthers our efforts to improve governmentwide cash management, debt collection, financial information systems, customer service to holders of government securities, and the cost effectiveness of the Savings Bonds program.

As the lead agency for many of these issues, the Financial Management Service has presided over a substantial accomplishment—the generation of measurable savings of over $20 billion during the 1980's through more effective processing of the Federal Government's $2.3 trillion annual cash flow. Over the last few years, the Financial Management Service has been called on to increase its leadership role in the financial management of the Federal Government. The Service's proposed budget for fiscal year 1990 reflects this active role as well as the need to sustain the systems modernization necessary for ensuring financial management services in the future.

The Department's proposed budget for the Bureau of Public Debt will provide funding to fully reimburse the Federal Reserve Banks for services performed as fiscal agents on behalf of the Bureau. Additionally, funding is provided to handle workload associated with the new Education Savings Bonds program and to develop a new savings bonds processing system to maintain the records of the 5.4 billion savings bonds that the public now owns. We also expect that through continued enhancement of automated systems, we will improve our ability to render better accounting and servicing of the Public Debt.

VI. Another major objective is to provide continued support for policy formulation and management oversight of all Departmental operations.

The budget request for Treasury's Departmental Offices will support the Department in its efforts to assist the President in the formulation of tax and economic policy—both national and international. It will also fund continued management oversight of the Department's diverse operations, including the establishment of an assertive and independent statutory Inspector General.

VII. Our final objective is to supply the resources necessary to provide for the Nation's coinage and currency demands.

The Bureau of Engraving and Printing does not require appropriated funds for currency production. The requested funding for the U.S. Mint will allow for the production of sufficient coinage to meet the Nation's business needs. The budget will also fund efficiency improvements that will enhance our capabilities to manufacture domestic coinage.

In summary, the $8.0 billion budget request for the Department of the Treasury represents: A faithful commitment to carrying out President Bush's charge to restrain the growth of government, while providing vital Federal services; a vital investment in the ability of the Department to manage its tax collection, financial management, and debt accounting roles; a necessary license to support the President's war on drugs through increased interdiction and other law enforcement duties; and a mandate to carry out many of the most essential functions of the Federal Government.

Mr. Chairman, that concludes my opening remarks. I will be happy to answer any questions that you or the other Subcommittee members may have.

FISCAL YEAR 1989 SUPPLEMENTAL REQUESTS

Senator DeConcini. Thank you, Mr. Secretary.

Let me go into the Supplemental, to begin with. The President's proposed supplemental appropriation request for the Department of the Treasury contains a number of proposals to transfer funds from the Salaries and Expenses account of the Department of the Treasury and various Treasury bureaus, to fund international affairs activities, and to cover the cost of postal rate increases for the Financial Management Service.

The proposed supplemental also requests authority to transfer $73.9 million from the Examination and Appeals account of the Internal Revenue Service, to taxpayer services, and processing of taxpayers' returns.

Now, I have a number of questions regarding this.

First of all, we are being asked to approve the transfer of millions of dollars from Treasury accounts to fund what the administration considers to be urgent priorities in other accounts.

Second, we are asked to subject those same accounts, and others, to an across-the-board reduction of 1.099 percent. If these programs can take these kinds of reductions, maybe we are appropriating too much money in the first place.

Mr. Secretary, do you mean to tell me that the Department of the Treasury can absorb these reductions without affecting the program requirements and effectiveness?

Mr. Brady. Mr. Chairman, as you have indicated, we are, by means of the supplemental, being asked to take some reductions, and, of course, I can't say to you that there will be no effect.

There will be some effect, but with respect to the reductions that we are being asked to take, we are trying to make sure that those reductions do take place in areas where servicing the public on an immediate basis will not be affected.

So it is a question of trying to work within—on the one hand, I would tend to agree with your statement, and on the other hand, being part of the budget reduction effort, I do know that those reductions have to come from somewhere, and although they might not be the ones we would pick in the initial instance, we are trying to make sure that they don't show up in services rendered to the public.

FMS POSTAGE SUPPLEMENTAL

Senator DeConcini. Well, maybe you can give me—or I can give you an example. The supplemental request proposes a transfer of $5.5 million from the Salaries and Expenses account of various Treasury bureaus to the Financial Management Service, to pay for increased postage costs.

I understand that FMS may now be faced with postage costs that could be anywhere from $7 to $13.5 million.

Can you tell me what is the exact number we should be considering here? It makes a lot of difference, as you can see.

Mr. Brady. Mr. Chairman, if I might, I will ask David Nummy to respond to that question.

Senator DeConcini. Mr. Nummy.

Mr. **Nummy**. Obviously, we are still in the middle of the year. I think the estimates that we have right now are somewhere between $5 and $9 billion.

Senator **DeConcini**. Between $5 and $9 billion?

Mr. **Nummy**. Million, I am sorry.

Senator **DeConcini**. Million. So the $7 and $13 million can be $5 and $9 million.

Mr. **Nummy**. $7 and $13 million is an estimate that existed a couple of months ago.

Senator **DeConcini**. OK.

Mr. **Nummy**. Obviously, as we get further into the year——

Senator **DeConcini**. Can you tell me, or the Secretary can tell me, which bureaus you expect to take money from to fund the postage account? And by what amount? Can you supply that to us, or do you have it?

Mr. **Nummy**. I think the approach we want to take is to get further into the year and we see where our bureaus stand in terms of funding. We would prefer to wait to see where we can actually move funds that won't have a direct impact on the programs and the missions.

Senator **DeConcini**. But we would like to see some estimates, at least, of where you think it is going to come from.

Mr. **Nummy**. And where——

Senator **DeConcini**. Before this Senator wants to sign off on that, I would like to know what you think can be saved.

Second, Mr. Secretary, or Mr. Nummy, what would happen if Congress didn't approve this transfer request? What do you do then?

Mr. **Nummy**. We have a couple of options. First, we could work with the committee using our transfer authority provided in the appropriations bill, which we certainly would be willing to do.

Second, under current law we could actually direct bill the postage bill to bureaus that have the ability to pay the bill.

Senator **DeConcini**. Yes.

Mr. **Nummy**. One overriding factor here is that if we don't pay our postage bill, obviously we put Social Security payments and other checks in jeopardy. We are absolutely determined that that is not going to happen.

Senator **DeConcini**. Well, I agree with you, and I guess what I am concerned about, and I am not intending at all to be obstructionist, because none of us want to see that happen, but I would sure like to have a little better road map of where they are going to come from.

Mr. **Nummy**. As we get more information toward the end of the year, we certainly will work with the committee and its staff.

Senator **DeConcini**. Well, we would like to know now, at least what you think it is going to be, before we proceed here.

REIMBURSEMENT FROM SSA

Mr. Secretary, last year we discussed with your predecessor, Mr. Baker, a legislative proposal to allow the Financial Management Service to take direct reimbursements from the Social Security trust fund for direct costs of processing Social Security checks.

Secretary Baker supported that approach. Have you had a chance to look at this concept, and if the subcommittee were to include that language in the fiscal year 1989 supplemental, would the Treasury support it?

Mr. **Brady**. We do support that proposal, Mr. Chairman. I believe you are referring to the fact that there are more Social Security checks in a greater volume going through that system and we must render that service on the basis that reflects that greater value.

Senator **DeConcini**. That is right.

Mr. **Brady**. It all makes good sense to us.

Senator **DeConcini**. To charge the system?

Mr. **Brady**. Yes, sir.

Senator **DeConcini**. Thank you, because I think the committee is inclined to do that, and we appreciate Secretary Baker's strong position on it, but before we stepped ahead I wanted to get your position on the record.

Mr. **Brady**. We agree.

DEPARTMENTAL OFFICES FISCAL YEAR 1989 SUPPLEMENTAL REQUEST

Senator **DeConcini**. I have approved the reprogramming, or the subcommittee approved the reprogramming, in the amount of $440,000 from salaries and expenses activities to international affairs in January of this year.

Why does the supplemental request, then, which was sent to Congress in late March, not reflect the reduction of $440,000 from the $2,063,000 requested for transfer?

Mr. **Nummy**. If I could respond. I think that supplemental was put together from a package created when the initial budget was sent up, prior to your approval, and we do appreciate that.

Senator **DeConcini**. So it should be reduced then?

Mr. **Nummy**. From the Department's point of view, we could either reduce it——

Senator **DeConcini**. OK.

Mr. **Nummy** [continuing]. Or we would count statutory language as superceding the $440,000, in addition——

Senator **DeConcini**. So there is no question that that comes off that figure?

Mr. **Nummy**. That is correct.

Senator **DeConcini**. Thank you.

Can you tell me, Mr. Secretary, what specific international activities would have to be curtailed if the transfer request of $2,063,000, less $440,000, were not approved?

Mr. **Brady**. Would you care to answer that?

Mr. **Nummy**. Yes; what we have tried to do is assure that we maintain the minimal level of service that is required from that function, hold back on hiring—we actually have a hiring freeze in that area.

Senator **DeConcini**. Is that in effect now?

Mr. **Nummy**. That is in effect right now.

Senator **DeConcini**. And will you extend that, or what? Is that what you mean?

Mr. **Nummy**. We will continue to extend it to ensure that we meet whatever funding is eventually provided. We have also frozen travel to the extent that it can be done in that area.

Senator **DeConcini**. Well, if you don't get the $1,560,000, more or less, that is what you would have to do?

Mr. **Nummy**. We would have to continue just to keep the clamp on, yes.

Senator **DeConcini**. And you have to have those people in order to provide the services, I presume.

Mr. **Nummy**. That is correct.

DRUG BILL FUNDING

Senator **DeConcini**. Mr. Secretary, on to the drug programs. What I consider to be an urgent priority is funding for the drug bill.

Congress only funded $22.5 million, with $122.7 million authorized in the Anti-Drug Abuse Act of 1988, to fund critical drug interdiction and enforcement activities.

President Bush says he wants to rid the Nation of the scourge of drugs, and, yet, I don't see anything in his 1989 supplemental request which allows him to do that. As a matter of fact, he is proposing to reduce funds for drug enforcement activities by the transfer that we talked about earlier, of 1 percent across the board.

Something is wrong. What I would like to know, Mr. Secretary, did you request any funds in the 1989 supplemental to fund the $100 million outstanding in the fiscal year for Treasury drug enforcement activities?

Secretary **Brady**. Mr. Chairman, I will ask David Nummy to reply to that, but I would say that the limiting factor, as I am sure you realize, is that we had restrictions, or strictures, that were required by Gramm-Rudman with which we had to live.

But Mr. Nummy, why don't you respond further?

Mr. **Nummy**. In terms of one of your comments, all drug funding is specifically exempted from that reduction, so the supplemental does not impact the drug programs.

Senator **DeConcini**. What about the Bureau of Alcohol, Tobacco and Firearms? Is that not considered to be part of the——

Mr. **Nummy**. There is a portion, approximately $1.2 million, in Alcohol, Tobacco and Firearms that was exempted. The remainder of the account was not exempted.

Senator **DeConcini**. So the 1 percent cut I am talking about doesn't involve the drug program?

Mr. **Nummy**. That is correct.

Senator **DeConcini**. I guess my question is, for the Secretary, or for you, Mr. Nummy, did you request any of the $100 million shortage in the supplemental for the drug bill?

Mr. **Nummy**. Those funds were not requested.

Senator **DeConcini**. They were not.

Mr. Secretary, how do you rationalize that? That this is the—I guess maybe not the No. 1 priority—but certainly the high priority that President Bush puts on this, and then the Secretary of the Treasury doesn't ask for what I consider to be a measly $100 million to fund last year's drug bill.

It just seems to me to be contrary to what your position is, to what you have said, what the President has said. I realize that there are restrictions imposed by Gramm-Rudman, I realize these problems, but how do you answer that? Because I can't answer it.

Mr. BRADY. Mr. Chairman, I understand your concern. However, we, in this Department, and I guess in all departments, are in a balancing act between what we can achieve in the way of budget reductions, and the services we want to supply out of departments like Customs, and Alcohol, Tobacco and Firearms, with regard to the drug programs.

In answer to your question, we try to move figures around within the departments, and make offsetting reductions, so that if there is a service or part of a service that needs to be added to, we try to make sure that that happens, or at least a cut not take place there, and make the reductions in other areas.

Obviously, we are in the beginning days of working with the drug czar to try and figure out how this might all go together.

AIR INTERDICTION PROGRAM

Senator DECONCINI. I guess the problem I have is that, you know, Customs had to get rid of two, or transfer two of their E2C's—and maybe that is no great loss, because then they couldn't fly but about 29 or 39 percent of the time—but we are short $10 million for funding for the third P-3 airplane.

All of that needs to be done, and it needs to be done, in my opinion, last year, and it certainly needs to be done this year, and yet there is no request for it.

So I only ask you, Mr. Secretary, how serious are you about the interdiction program? Why can't you get support from OMB, or get support for the funding of $34 million just for surveillance planes, if nothing more?

Mr. BRADY. Well, I can only go back to my statement, Mr. Chairman, that we are trying to make sure that those programs within the Department, within the bureaus of the Treasury, are ones that we make sure get the money that they need and are not subject to reductions. We are trying to make offsetting reductions in other places, with things such as you refer to, to keep those programs going.

David, do you want to speak any more to that, about the P-3's?

FUNDING FOR AIR PROGRAM

Senator DECONCINI. Well, let me interrupt you just 1 minute, Mr. Nummy.

Do I take from that that your commitment is still to fund those planes, and to attempt to find these funds within available funds, from shifting accounts? Is that correct?

Mr. BRADY. David, do you want to——

Mr. NUMMY. I think we certainly would support, if we could find within the existing budget, funds to support those additional planes. The Department would support that, absolutely.

Senator DECONCINI. Well, if we put that in the supplemental would you support it?

Mr. Nummy. I think within the restrictions of Gramm-Rudman——

Senator DeConcini. You would. Because I would like to see this committee consider doing that, and I don't want to despair of your commitment, because I know it is there, Mr. Secretary, but it is troubling for us to see all of the criticism of the air interdiction program, particularly by NBC and others, when it isn't completely in place—maybe a third of it is in place—and we have an opportunity here to fund it and to have it in place by next year, and they say that it doesn't work, it doesn't work.

But I am convinced that the Congress and the Customs Service and Secretary Baker and the administration did the right thing in funding some of these programs in the past years, and I would like to see them finished. I certainly would welcome your support, if we decide and we could find the resources to fund some of those programs, so they are completed, and then we can argue about their effectiveness.

Mr. Brady. I would just like to say—excuse me, David—one thing about the air interdiction program. I think that the fact that you see so much talk about the use of cargo, now, as a means for drug people to try and get the drugs into the country is a credit to the air interdiction system.

Senator DeConcini. I agree.

Mr. Brady. What it means to me is, and I am sure you feel the same way, if you look at the method by which drugs are coming into this country now, frankly, just looking at the south Florida area, which I know isn't your area of the country, but taking the south Florida territory as an example, what has happened is, air interdiction has driven all the small boats and airplanes all the way back behind Cuba, and they have to use other ways of coming into the country.

So I would take exception to what NBC and others said about the level of success of drug interdiction.

Senator DeConcini. Mr. Secretary, I couldn't agree with you more. It is not that we have won even a battle, but we have certainly started an offensive in the southeastern part of our country.

Now the Southwest is inundated, and we only have two P-3's up. We have a total of five Aerostats, I believe, scheduled. We only have two P-3's, with the second one coming on soon, and we need to do just that—force these drugs down on the ground.

In the Arizona sector, the confiscations on the ground by your agency out there have increased 600 times since the Aerostat has been flying. There is one in New Mexico. I don't know what the increase there is yet, but I know it is substantial.

The Border Patrol has seized more drugs this year, in the first 6 months, than they took all of last year, and the director out there, of the Border Patrol, attributes this to the air interdiction programs.

So, where it is up it seems to be working.

I have a lot more questions, Mr. Secretary, but I am going to yield to my colleagues who are here, and then come back to my questions.

Senator Domenici, for an opening statement first, and then an opening statement from Senator Kerrey, and then I will come back to you for questions.

Senator DOMENICI. I will reserve my opening statement, and go ahead.

Senator DECONCINI. All right.

Senator Kerrey.

Senator KERREY. Likewise, I will defer on an opening statement.

SECTION 89 OF INTERNAL REVENUE CODE

Senator DOMENICI. Well, Mr. Secretary, let me talk about something that is a little bit different than the IRS funding and the issues that are before us here on the fiscal year 1990 budget, and talk about section 89 of the Tax Code, with reference to the Nondiscriminatory Health Plan.

Might I first ask, Mr. Secretary, are you familiar with that provision?

Mr. BRADY. Section 89?

Senator DOMENICI. Yes.

Mr. BRADY. Yes; I am.

Senator DOMENICI. I wanted to say to you that, while I think the purposes of that proposal are laudatory, and I assume there are situations in the country where there might be discrimination—far be it for me to know enough about every plan around—but I can tell you that in my home State I don't believe I have ever held a more constructive meeting with the business community on any issue than I have on this one recently.

The general conclusion, from lawyers who are experts in these kinds of plans, CPA's who advise clients, and consultants who have put together programs to advise, is that the IRS regulations are so complicated, so cumbersome, so unintelligible that no one can really tell whether they are in compliance or not.

As a matter of fact, we had the best experts in the entire State tell about 400 business people that they had no idea how they were going to be able to tell them, this June, whether they had a compliance plan or not.

I understand, for whatever reason—and I will ask you that reason in a moment—that you have deferred implementation, but I submit to you that we need more than just deferred implementation. We need your good office to find out why a plan of this type cannot be made more simple.

I have concluded, as a layman looking at this, that we ought to at least be able to give either the writer of the plan—the entity that sells plans or the business entity—a definition of discrimination, even if we have to use Webster's, and put it in some kind of an affidavit, and for the time being, accept an affidavit that a plan has been produced that is nondiscriminatory, and at least say in the interim, that it would be in compliance.

I can't understand why we cannot have a little bit of trust in either the writers of the policies, or average business people, to tell us in an affidavit form, either that they have complied or, for now, that they have tried their very best to comply.

It is an absolute disaster. This administration is worried about uninsured working men and women, and we should be. We have programs like Medicare and Medicaid, and many people that are in unions have mandated plans, and a lot of people buy plans; we have somewhere between 30 and 37 million that we think are uninsured.

We don't know the entire profile yet, Mr. Secretary, and we don't know exactly what it means, but I can almost guarantee you that forced implementation of this plan, pursuant to the IRS's current regulations, will add to the number uninsured, not reduce it.

I truly believe this from what I heard. This was not a frantic meeting; this wasn't yelling and screaming. New Mexico is not a giant State to have 400 business people attend a meeting and sit for 2 hours and listen, and only one person was rather frantic. He just said to abolish it all.

Everybody else was just honestly saying, we don't know what to do. We had people who write plans stand up, Mr. Chairman, and say, we don't know how to write the plans.

Now, I just don't believe that we have to have that complicated a system to get essential fairness out of business, and that is really all we are asking for.

We are asking that they not have a gilt-edged health plan for one portion of their workforce, and something far inferior for another group.

So I urge that not only you defer this, but I urge that you get involved in a very big way with some knowledgeable people. I am not at all convinced that the IRS isn't frequently given a chore that is too difficult for them.

I mean, I am not at all sure that the IRS were the right ones to write the regulations. What the IRS has produced is 200 pages of regulations for a three or four sentence in law that essentially says that if you are going to deduct, as a business expense, the cost of health care, then it cannot be a discriminatory plan as to employees.

That is the law, and now the regulations that are at least 200 pages, are being modified. I can't urge you strongly enough to do something more than just defer the implementation of the law. I think you must get involved in the rewriting of this new statute.

I think it is doomed. The leverage right now is for repeal, and as a consequence, many who want it repealed don't even want to work on it, because they feel the leverage for repeal will go away if you try to fix it.

I, frankly, don't know where I come out. If I thought somebody would write a reasonable one I would get off of my horse for repeal, but for now I see people rewriting it, and it turns out almost as complicated.

I submit there is also another thing you could consider, and that is exempting some. I think there are some business people in this country that, by nature of their size—maybe it is 10, 10 employees, maybe it is 5—I have one that says it shouldn't apply for 20 or less employees—but I do believe there is some break off point, where you shouldn't have to require it at all.

I am firmly convinced you are going to lose coverage rather than gain it.

Do you have any observations for the record on that issue?

TIME EXTENSION ON SECTION 89

Mr. BRADY. Senator Domenici, when we announced yesterday that we were postponing until the first of October the date by which people had to prove that they have met or not met the conditions of the plan, we included many of the thoughts that you have just expressed.

By that I mean, let us go back to the drawing board and try to write a law—starting with a law, and thereafter the regulations under that law—that people can understand, with a little sympathy to the idea that a man or a woman who is running a 25- or 30-person business hasn't got the same number of accountants and lawyers around to spend the time and expense on these things that companies and organizations that are much larger do have.

So we moved the effective date back to the first of October, with the idea that if Congress does feel strongly about it they have plenty of time to get into it and fix it. We would certainly be part of that effort in the way you suggested.

There is plenty of time to fix it before we have to put a lot of unneeded and useless regulations on businesses, particularly small businesses, and I think particularly your idea, which I really hadn't heard of before. It is a little ridiculous to think of a 7-man company having to go through all those things, so I think there should be some lower limit.

I hadn't heard that thought before, and I think it is a good one.

FLETC MASTER PLAN

Senator DOMENICI. I had a number of questions regarding IRS and the money transfers that were requested, and the drug issue. If the chairman hasn't asked them, we will submit them in writing for your written response, and I want to just ask a couple on the Federal Law Enforcement Training Center, if I might, Mr. Chairman.

Mr. Secretary, let me just take a moment to tell you that you may not know it, but within your jurisdiction you have a very exciting institution, called the Federal Law Enforcement Training Center.

Its central headquarters is in Glynco, GA, on an exmilitary base. It is the U.S. Government's law enforcement training center for almost everyone except the FBI and a few others.

It is a dynamite institution, and a very exciting concept, in that all the different agencies of Government that might be prone to have their own training facility, under the leadership of previous secretaries, have given up the idea of establishing their own and are trying to mesh into a master plan for the utilization and expansion of Glynco, and its subsidiary centers.

I have a parochial interest because one of those will be in Artesia, NM, on an old college campus. Nonetheless, they are all part of your institution.

Last year, for fiscal year 1989, it is my recollection that we put $10 million in for implementation of the beginning of a master plan for expansion of FLETC, so that we could say to all of those entities in the Government that want to establish their own that we have a centralized Federal law enforcement training facility capable of handling their needs. You must understand that those who are trying to establish their own are not under your jurisdiction; they may be under Justice or under one of the other Cabinet people, and we have been trying to hold the line and keep them all satisfied that we will provide their specialized type of service.

As an example, the Drug Enforcement Agency, as I understand it, Mr. Chairman, is very interested in getting their agents trained and upgraded, and they are on a very accelerated schedule and current Justice Department training facilities at Quantico may not be adequate for them.

Current plans for Glynco and Glynco's subsidiaries must be able to do the job, or agencies will get a bit "antsy" to get the job done elsewhere.

I believe we are moving in the direction of proliferation, rather than a centralized facility, unless you constantly take the lead in saying, "We will provide the training."

So I ask you why you did not ask for additional funding for master plan development in fiscal year 1990? I think it is urgent that it be done.

We provided dormitory facilities at Glynco, along with the creation of a subsidiary facility, which is going to be on line, but clearly the two are not going to be adequate, and we need to proceed with the master plan to show how we are going to meet other agencies' needs.

I am of the opinion that you should have asked for at least another $10 million for the master plan. It is not a lot of money. Maybe we will find it anyway, Mr. Chairman, and put it in. I mean, I would vote for that right now, because I think we are making a big mistake.

I take this time to convince you that we need to continue that master plan. I am not sure how much the total amount needed to finish that master plan will be, but clearly we need some support from your end on getting it done.

I believe your experts will tell you that it is imperative. Perhaps——

Mr. Brady. Senator, let me just say that the master plan itself is still in the process of being worked on, and it is not yet completed, but maybe David Nummy can give you more specifics as to where we stand on some of the numbers you were asking about.

Mr. Nummy. FLETC has not yet submitted their master plan. I think the Department as a whole has always supported consolidated training and full funding, as appropriate.

We do have $6.4 million in the 1990 budget for a new dormitory at Glynco.

Senator Domenici. Yes; I understand that.

Are you suggesting, then, that you are in the process of evaluating their master plan?

Mr. Nummy. They have not yet submitted it to the Department.

Senator DeConcini. Could the Senator ask him when it is due?

Senator Domenici. Well, I understand that it is supposed to be in by the end of May of this year. We are getting close, then.

Mr. Nummy. Yes.

Senator **Domenici**. Might we then expect some comments from you after that, as to how you intend to proceed?

Mr. **Brady**. Yes.

Mr. **Nummy**. That would be fine.

Senator **Domenici**. I believe, if we have not finished our work, Mr. Chairman, that it would be very good to have some indication from them.

Senator **DeConcini**. Well, if the Senator would yield, let me just express one other member's—the chairman's—view, that I agree with the Senator from New Mexico.

If we do not put together a master training plan through Glynco we are likely to have three or four or five academies come about, and we already have the one at Quantico and the DEA is there now, and would, like the Senator from New Mexico says, get "antsy," but they have been able to reestablish themselves, and there is just no reason that we can't literally save money.

It is not a matter of possessiveness, as far as I am concerned, or jurisdiction. It is a matter of effectiveness, and there is no reason Glynco can't do it.

But I think what the Senator is saying, Mr. Secretary, assuming this plan is approved by you, in my judgment it means that you are going to have to fight for it.

You have got some pretty powerful competition up there on the Cabinet level, from my observation, that would like to establish their own training centers, and to me, I hope you hear the Senators from New Mexico and Arizona, that I think it is best served to be in your area, and that you will really get behind this thing, because I think it is good Government, is what I think it is.

Mr. **Brady**. Mr. Chairman, let me just say that we are very proud of the training center, and we think it does the job, we think it is in the best tradition's of Government, in the sense that there don't need to be 15 different training centers.

A lot of the basic principles of law enforcement are the same; there is no reason why they should be scattered all over the United States, and we like to think that the training center does a first-class job.

So you can be assured that we will, when we get the plan, look at it right away, and come back to you, and we will continue to do what I think we have done in the past, which is to be very, very, very strong supporters of the training center.

So, Senator Domenici, I assure you that we will give it that kind of an effort.

Senator **Domenici**. Thank you very much, Mr. Chairman.

DRUG CZAR

Could I ask on drugs, just a general question?

Could you just give us, in your own words, how is the drug czar, in a general kind of way, relating to your Department in an effort to come up with his national plan, which is due in about 90 days?

Mr. **Brady**. Senator Domenici, I think you have to realize that although the President has been in office for 100 days, the drug czar has been office for much less than that. We have worked with him, and worked with him well, his ideas are on the mark, and his questions are the same kind of questions that we would ask with regard to those items of his agenda that are within the Treasury.

So, although we do not have a master plan, we are working with him. We get plenty of interaction with him, and so I would just say give him a little time to get his forces marshaled.

He has only been on duty some 30 or 40 days, I believe, since he was actually approved. So I am very pleased with the way he is going at it. His approach is not only supportive, but it is done in enough detail so that he knows what is going on inside our Department, and I think you will be very pleased with his plan when he brings it forward.

Senator DOMENICI. Mr. Secretary, I did not intend in my question of you to be critical at all. I share your optimism.

My last observation is—and I think my good friend who was a prosecuting attorney before he came here will agree—this drug czar needs your support. He needs the Attorney General's support. He needs the Director of the FBI's support.

My words to you, because I think I know you well enough to tell you this, I hope you do not assume that in the Federal law enforcement bureaucracy—and that is not even a good word—I use it nonpejoritively—there is a tremendous turf battle problem for this drug czar.

No one wants to cede any of their current efforts to any plan that involves them working with others, being subservient to others, and I just urge that you, as a very influential member, and a close friend of the President's, that when you are sitting in those meetings that you understand, this plan won't work unless there is a tremendous amount, not of paper coordination, but of literal coordinated activity on the part of the law enforcement agencies, from Customs to Immigration to the FBI, DEA.

I recently attended a very large meeting with local people, and I tell you, their frustration in trying to work among themselves and with the Feds is very, very high.

They are not mad at anybody, not blaming anybody; they are just having a difficult time with the difference in the way the agencies approach drug law enforcement.

I don't know if you have found that, but I really believe it.

Mr. BRADY. It is way too important for that, Senator Domenici. I agree with you.

Senator DOMENICI. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator DECONCINI. The Senator from Nebraska.

FARM CREDIT LOANS UNDER SECTION 89

Senator KERREY. Mr. Secretary, I would like to actually accumulate some additional information on section 89, and perhaps make some suggestions that in the end might be instructive.

I would also ask your help, with Commissioner Murphy. At a previous hearing, I brought to his attention a problem that is one of those problems that if you don't take care of it relatively soon it will be cited as an example of Government run amok.

We have got a Farm Restructuring Act—a Credit Restructuring Act that was passed in 1987. The Farmers Home Administration

Farm Credit System is working with borrowers, trying to make the deals work.

If they don't make them work they are going to be added to the inventory the Government is holding of land, and there is an urgency to do it.

What we have found is that there are tough tax questions that have to be answered in the restructuring, before you can get an agreement—before the bankers and the borrowers can come to terms.

One of them is, if I have, let us say for example, $100,000 loan, and you write it down to $50,000, the IRS is currently taking the position that the $50,000 is ordinary income.

Mr. **Brady**. I couldn't hear you, Senator, I am sorry.

Senator **Kerrey**. If I had $100,000 principal, and you agree as my banker to write it down by $50,000, the IRS is currently holding the position that that $50,000 is ordinary income, which I think is unreasonable, and would like to get a ruling from Commissioner Murphy.

Actually their counsel—one of the associate counsels—sent a letter March 30, that I would urge one of your staff people to read. It is the kind of letter that provokes, saying essentially, "We understand we may have provided farmers with an unwarranted tax planning opportunity."

They most assuredly have. What will happen is, these deals just won't go through. We have willing borrowers out there, and willing lenders, willing to put something together, and so I would just ask your help in getting a resolution of that problem.

On section 89——

Mr. **Brady**. All right, I will look into that and get back to you, Senator Kerrey.

Senator **Kerrey**. I certainly would appreciate it, Mr. Secretary.

POSTPONEMENT OF SECTION 89 REQUIREMENTS

On section 89, I am sure you noticed that you got a rather large ovation yesterday from the Chamber of Commerce when you announced this postponement, and the reason, Senator Domenici, is that there is a lot of frustration, perhaps greater than with any political issue I have seen at the local level as Governor, prior to arriving on the scene in the Senate.

Not only is it counterproductive to what you will have—businesses who will simply say, we are not going to insure anybody—we are not going to cover anybody.

Not only is it counterproductive that way, but it is beginning to wash over into section 125, which is the cafeteria plan offering. It is beginning to affect—the rules actually affect more than just this discrimination effort, which, by the way, I find to be altogether reasonable.

I don't think that the U.S. Government should subsidize discriminatory policies, which I noted in your remarks yesterday, you seemed to hold that opinion as well.

What will happen between now and whenever this thing is resolved is, we are going to continue to extract from the gross national product fees for consultants that are working with businesses, big and small, trying to advise them to figure out how this thing is going to work.

Even with the postponement, that will continue. With the consultants coming forward saying, Mr. Kerrey, I can tell you how to figure this thing out, it will only cost you $1,000, or $1,500. It is what I would call unproductive consultant effort.

What I would suggest you consider, and it follows very closely with what Senator Domenici said. He mentioned one particular thing that you seemed enthusiastic about, and that was some threshold of size.

Now, I would concur with that. Some threshold of size that is reasonable.

There was a second part of his comments that I think has merit as well, and that is a simple statement to qualify. Most of the businesses that I have talked to don't object to the requirement of qualifying, it is the test that is difficult.

It is the test, because each single plan will actually end up with multiple tests that are required, and it may be that you can come up with some very simple language, and I would urge—again, October 1 will come very fast, and I think you could look at this thing and come up with fairly simplified language.

Because one of the things that I fear—and it is not a fear that is shared unanimously on my side of the aisle—one of the things that I fear is that some of the modified approaches will simply be an approach that will result in mandated benefits being applied on small businesses, and I think that would not be a good resolution to the problem, as well.

So I would suggest the consideration of that test, as Senator Domenici pointed out, be added to the potential of a minimum threshold being there.

A second thing that I would say, and it is close to violating the germaneness rule, I understand, but I would urge, in the process of our communication, and the process of working, the S&L proposal through conference, and finally to the President's desk, which I would like to see happen in the time schedule that you have outlined.

I mean, I don't want to be obstructionist, but I would urge you to look at the proposed amendment. In fact, I sent it on to you earlier for your consideration.

I think that there is an enormous scandal waiting to happen in that disposition of asset problem that is there. With all due respect, what I hear as this hearing goes forth is new things that you have to do.

I am asking you to do a section 89, and you are dealing with the Bureau of Alcohol, Tobacco and Firearms, and all kinds of things that most people don't think the Secretary of the Treasury has to do, and I think to accept the additional responsibility to be chair of this RTC, that could become, on the basis of assets, one of the largest corporations in America.

I mean, I just urge, with all due respect for the need to control this thing, and the desire to—and I don't mean that in a negative way—consideration be given to that amendment that I offered, that I sent on for your consideration.

Mr. BRADY. Senator Kerrey, we will look at it again, and maybe you and I can talk a little bit more about it. I understand where you are coming from.

Senator DECONCINI. Mr. Secretary, I have some more questions, and we have two votes that are going to take place. If you can stay here about 15 minutes, I will come back, and any member who wants to can come back as well.

If you need to use the phone, we can get an office or something.

Senator DOMENICI. Is the vote up now?

Senator DECONCINI. I understand the vote is going on right now, and that there is going to be one following that.

Am I correct about that?

STAFF. Yes.

Senator DECONCINI. I want to check before we tell the Secretary we will be right back. I think there are two back-to-back votes.

ASSETS IN FSLIC'S

Senator DOMENICI. Mr. Chairman, since I cannot return, could I just make one further observation?

Senator DECONCINI. Yes; please proceed.

Senator DOMENICI. Mr. Secretary, I couldn't agree more, germaneness or nongermaneness. I suggest to you that there have been a few giant American programs that attracted consultants like flies.

I believe you have the most gigantic fly-catcher within the FSLIC program that you will ever imagine. I believe you have got lawyers who no more know how to handle the asset that they have got control over than the man in the Moon.

I submit they are sitting on them, I submit they are putting them in court. It is going to be the lawyers' relief act of all times, in my opinion. It is going to be the auditors and consultants relief act of all times.

They will pick up an asset that is an ongoing business, find something wrong with it, and they have no more interest in expediting, getting that asset out from underneath that receivership and back into mainstream than the man in the Moon.

I submit they are going to lose billions—not millions—billions in asset value if somebody doesn't tell the lawyers and accountants out there managing those estates that one goal is to settle, and get assets that have a chance to be fruitful out from under this kind of event.

I am aware, in a little State, of two or three that are sitting around. If they keep on the way they are, by the time they go back on the market they will be worthless. We will have spent millions preserving them, impropitiously. What the hell does a lawyer in Denver know about running a ski resort?

I don't really think they care. I think they are getting paid royally. You can't even get answers out of them. I don't know if you are in the same boat I am in, but I mean I wonder if I should ask them, for fear that I am intervening, or influencing them.

But, frankly, I think that somebody ought to get on top of those cases in every region of this country, and start treating the disposition as some kind of a business, and start sitting people down and making the deals, and getting them back into the hands of people that can operate them. If you let them drag on, what I see is an asset diminution and an accumulation of fees that are going to be charged against the estate, and you know who is going to pay—that fund you set up over there that we are going to borrow the money for.

Mr. **Brady**. These assets are within S&L's right at this moment?

Senator **Domenici**. Sure. An S&L that went down might own a mountain, it might own a ski resort, it might own a giant hotel.

Senator **DeConcini**. Mr. Secretary, we will be back in 15 minutes.

Mr. **Brady**. Yes; thank you, sir.

Senator **Domenici**. Thank you very much, Mr. Secretary. You get a lot of lectures from us, anyway, right? [Laughter.]

[A brief recess was taken.]

CUSTOMS FISCAL YEAR 1990 BUDGET REQUEST

Senator **DeConcini**. The subcommittee will come to order.

Mr. Secretary, let me try to wind this up so you can get to your lunch, if you have one. I have one more question in the drug area, or two more, that I would like to ask you.

From what I understand of the $10 million increase requested by President Bush for the Treasury Department in fiscal year 1990, $7.5 million is to be spent on additional inspections of cargo containers for narcotics detection, and the remaining $2.5 million is to be spent on money laundering investigations.

Now, this subcommittee has yet to see a detailed justification of this request, and maybe you can enlighten us on it.

Can you explain to us specifically how the additional $10 million will be used, and can you also tell us if there will be additional staffing with the increased funding, and how many, if that is the case?

Mr. **Brady**. With your permission, I would like to call on Mr. Nummy.

Senator **DeConcini**. Mr. Nummy.

Mr. **Nummy**. I believe the additional staffing associated with the cargo examinations is about 154 FTE's. The money laundering does not have any FTE associated with it.

I believe, and Mr. Small may expound, the money laundering may be used more with financial investigations associated with their activities.

Mr. **Small**. That is correct.

Senator **DeConcini**. No additional personnel?

Mr. **Small**. No.

Mr. **Nummy**. Not for the money laundering.

Mr. **Small**. Not for the money laundering specifically.

Senator **DeConcini**. So what will the money be used for?

Mr. **Small**. Well, the expanded FTE's in the cargo inspection area.

Senator **DeConcini**. I see. All in that area.

Mr. **Small**. Yes; that is where it is.

REDUCTION IN COMMERCIAL OPERATIONS

Senator DeConcini. Well now, I support, Mr. Secretary, the additional $21 million contained in the Reagan budget for cargo examination. I think that is a very positive thing, as we discussed not too many minutes ago.

However, I do not support taking 396 positions from the commercial operations program of Customs to fund this, and that is what I think you have done.

Have you considered what the impact would be on the facilitation of trade in this country if we were to cut the commercial program by almost 400 positions? Have you looked at that? Or, Mr. Nummy, can you respond, how you can justify that? Or Mr. Small?

Mr. Nummy. Those reductions were designed by the administration to have minimal impact upon the commercial operations, and I believe they were designed in areas where they felt efficiencies could be achieved without impacting the mission of Customs.

Senator DeConcini. Well, can you give us some detail on that, on how you are going to be able to avoid reducing the effectiveness of Customs' commercial operations?

One of the things Senator Domenici and myself, and Senator Abdnor before me, and the committee have supported is increasing the commercial operations program, because not only does it raise money for you, it also is good business for American businesses that are involved in importing.

Mr. Nummy. I can tell you what is comprised in there.

Senator DeConcini. Yes.

Mr. Nummy. There are 140 FTE's, and about $5.5 million in reductions that result from efficiencies as the Automated Commercial System is brought on board. Theoretically, you need fewer people because you have higher automation. That is one component.

The second component would be the anticipated savings that result from the A–76 process, and the third component is a savings that results from an expected FTE shortfall in the goal of Customs this year.

Senator DeConcini. Excuse me, is that real? A–76? I mean, is that a real savings? Have you seen that? Isn't that just——

Mr. Nummy. The A–76 process is designed to achieve savings, either through contracting out work, or being more efficient.

Senator DeConcini. Is it going to work? How do you know you are going to save money with it?

Mr. Nummy. That is a formula that has been developed by the administration.

Senator DeConcini. Do you accept that? Do you think it is going to work?

Mr. Nummy. I am new in the process, and I have not yet seen it work per se.

ASSAULT WEAPONS

Senator DeConcini. Mr. Secretary, over the last few months, public focus has centered on the abuse of assault weapons, and legislation addressing this problem has been introduced in both the House and in the Senate, including a bill that I introduced.

No doubt you have been devoting much of your time to this issue, or someone on your staff is. I have heard reports that the administration is considering various options.

Can you give me some indication as to where the administration is in its deliberations, or do you know?

Mr. BRADY. Mr. Chairman, those people who are working on the assault weapon question, I believe, are going to come to a determination within a short period of time.

We have outstanding a survey which was sent to importers and wholesalers of assault weapons, to people who hold the rifle competitions that these assault weapons are purported to be used at. I actually have had a look at the questionnaire, and I think it is a pretty good one, in terms of really determining where these assault rifles are going.

We think we are about some 3 or 4 weeks from getting that survey back, and I think it really would be enormously useful to know—to get into the lore around semiautomatic weapons—and find out exactly where they are winding up.

As you know—and I don't want to go on, because you have been a very keen student of this—but when you talk to the law enforcement people, of the weapons that were captured in the last year, or last several years on average, less than 10 percent of them are semiautomatic weapons.

Of those that are captured, very few of them are semiautomatic rifles. In fact, I think I am correct in saying that last year in Washington, only one of the captured weapons was a semiautomatic rifle.

So it raised the question of, where are all of these guns going? I think we need to be a little careful if we don't, in following our instincts here, make sure that we are not listing some people who are really using them for sporting purposes.

Senator DECONCINI. I agree.

Mr. BRADY. I know you know that, but I just wanted to tell you.

Senator DECONCINI. I agree, Mr. Secretary. You were directly involved with the banning of imports? You jointly——

Mr. BRADY. Directly involved in that I was——

Senator DECONCINI. You had to approve it, is that not right?

Mr. BRADY. Yes.

Senator DECONCINI. And you agreed with Director Bennett that it should be—that all imports should be banned? I think that is what we did.

Mr. BRADY. Well, I think that until we know where we are going, it is a very good time to stop, look, and listen.

WEAPONS SURVEY

Senator DECONCINI. Yes; because what I get from people in law enforcement is that there are roughly nine weapons of choice of drug dealers, and I don't think banning any gun is going to stop the drug flow. The issue is whether or not it might stop some killings of innocent people, and I am not sure that it will.

But I am interested in the administration's strong position, having certainly a longstanding history of strongly supporting the preservation of the second amendment rights of individuals. I would like to move ahead on the ban, because it seems to me that we need to get a handle on it, if at all possible, and I guess that is what you are saying.

You think that this inquiry will be helpful.

Did the survey go to law enforcement people?

Mr. **Brady**. I am not sure about that.

Have we got a copy of the survey here?

Mr. **Small**. Yes; we do.

Mr. **Brady**. I can't tell you by looking at the transmittal letter whether it did or it didn't. It looks to me like it does address whether the people who are importing these guns, and the people that are wholesaling and retailing them after that, and determine where the guns go?

Senator **DeConcini**. Yes; who buys them, in other words?

Mr. **Brady**. Who buys them, who do they sell them to. This letter goes to hunting organizations—Does your hunting organization place any restrictions or prohibitions on the use of semiautomatic rifles by its members?

The Fish and Game Commissioners—Do the hunting laws of your State place any prohibition or restrictions on—shooting editors of magazines, competition shooting groups—Does your group use these rifles, and if so when, where, and how many of them?

Senator **DeConcini**. But you don't know if——

Mr. **Brady**. Licensed hunting guides—excuse me—people that actually accompany people out hunting. Just trying to find out the flip side of this figure that we get that very few of these guns are captured, if they are not being captured where are they going? So it is that kind of a survey.

Senator **DeConcini**. All right, and if you don't know, can you supply for the record if you did send it to any law enforcement agencies? Because it seems to me that it would be important for a determination, and I would certainly like to have you share that with me, unless it is in confidential, once you get that survey back.

Mr. **Brady**. Yes; we will get back to you on it.

[The information follows:]

Assault Weapon Survey

Although we have not sent the survey to law enforcement, we have had regular and broad-ranging discussions with law enforcement groups on the assault weapon issue. Our contacts are with both the management of these groups and the rank-and-file membership. One way we have done this is by maintaining close liaison with the Law Enforcement Steering Committee, on which are represented the twelve largest labor and management police organizations in the country.

SECTION 881, TITLE 21, LEGAL OPINION

Senator **DeConcini**. Senator Domenici brought up Director Bennett, of the Office of National Drug Control Policy. I know you realize the importance of this, and your attitude is too important to be sectioned off on jurisdictional grounds. I appreciate that, Mr. Secretary, because I don't know anything more important for the success of the Bush administration but to see that Director Bennett's strategy and policy be forceful and expansive, and, of course, supported by the Cabinet.

I just want to give you an example of the problem, and maybe you are aware of this, as it affects Customs substantially.

In November 1988, the Department of Justice released a legal opinion, stating that the Customs Service had no specific authority to undertake drug investigations under section 881 of title XXI, except through cross-designation of Customs agents by the Justice Department.

The opinion also stated that any assets seized by Customs as a result of these investigations should go to the Department of Justice asset forfeiture fund.

I understand that a memorandum of understanding was agreed to by Treasury and the Justice Department on the implementation of the opinion, and as you probably know, Mr. Secretary, State and local law enforcement agencies like to cooperate with Federal law enforcement officers and their operations for a lot of reasons, and one is because they get to share in those forfeiture funds.

To me it is one of the biggest incentives Federal law enforcement has. The Department of Justice, on the other hand, has been the subject of continuing criticism because of the length of time it takes to share these assets, and to get them to local government officials.

Are you familiar with the legal opinion at all? And have you had any input in this working relationship, and in expanding it between the Justice Department and other law enforcement agencies?

Mr. **Brady**. I am generally familiar, Mr. Chairman, but I would like Mr. Small to answer your question directly.

Senator **DeConcini**. Yes.

Mr. **Small**. Mr. Chairman, I am intimately familiar with it, and yes; we—I should state first that we are very hopeful that the agreement that we have reached between the Treasury Department and the Justice Department will at least put us back to almost where we were before the Office of Legal Counsel issued their opinion.

As you are well aware, that opinion is binding upon us, and so we needed to find other ways to give, particularly the Customs Service, jurisdiction in these title XXI type cases.

What we have worked out, we believe, is a process by where, even if the assets are forfeited through the Department of Justice, they will get back to the Customs Service for disposition, and then the Customs Service will be able to determine where those assets go, and if they are turned into proceeds, they will be able to have those proceeds put into the Customs forfeiture fund.

Senator **DeConcini**. What is the time lapse now, on that agreement? Can you give me any background on that? How long does it take if Customs is involved in a section 881 activity, and the funds that are confiscated are, theoretically or legally, under the jurisdiction of DEA, assuming that there was cross-deputization? Do you know how long it takes?

Mr. **Small**. We haven't had the issue come up yet. We have just begun to have seizures that are taking place by Customs, pursuant to the implementation memorandum, and we expect that there are going to be some little problems that need to be worked out.

But it is our objective, at Treasury, to make sure that the Customs process is not slowed down at all by having to go through the Justice forfeiture fund, if that is what has to happen.

Senator **DeConcini**. Would you share with us a copy of that memorandum of understanding between the Department of Justice and Customs?

Mr. **Small**. I think we can make that available.

[The information follows:]

[Memorandum]

February 9, 1989.

To: U.S. Attorneys, Assistant Attorney General; Criminal Division; Administrator, Drug Enforcement Administration; and Commissioner, U.S. Customs Service.
From: Joe D. Whitley, Acting Associate Attorney General, Department of Justice.
Salvatore R. Martoche, Assistant Secretary for Enforcement, Department of the Treasury.
Subject: Customs Service Jurisdiction under 21 U.S.C. 881.

On November 23, 1988, the Office of Legal Counsel (OLC), Department of Justice, issued an opinion addressing the authority of the United States Customs Service to seize and forfeit property or assets under 21 U.S.C. 881. A copy of the OLC opinion is attached. This opinion concludes that the Customs Service lacks independent statutory authority to conduct Title 21 seizures and forfeitures, and that Customs agents may perform such seizures and forfeitures only if they have been cross-designated by the Attorney General pursuant to 21 U.S.C. 873(b). The OLC opinion does not affect Customs Service authority to seize and forfeit pursuant to other statutes.

The OLC opinion emphasizes the importance of using the cross-designation procedure to deal simply and effectively with jurisdictional issues confronting the Drug Enforcement Administration and the Customs Service in cases involving Title 21 violations. This procedure, which has been expanded and revitalized in recent efforts by DEA Assistant Administrator David Westrate and Customs Assistant Commissioner William Rosenblatt, was proving an effective tool in resolving jurisdictional questions even before the issuance of the OLC opinion. It will now be instituted on a national level by the Administration of DEA and the Commissioner of the Customs Service.

The cross-designation process must accomplish several things. On the one hand, it must meet the legal standards indicated in the OLC opinion, and it must permit the DEA to supervise activities within its area of statutory responsibility. At the same time, it must encourage continued effective and vigorous activity by the Customs Service in the drug enforcement area, and facilitate Customs and DEA cooperation in the field. Upon mutual agreement by the DEA and Customs Special Agents in Charge that circumstances exist where the cross-designation of Customs Special Agents should be sought, procedures will be initiated in accordance with the Implementing Memorandum of March 2, 1984, its addendum dated February 19, 1985, and specific cross-designation agreements already implemented in such locations as New York, San Diego, Florida, Arizona and Texas. All Title 21 investigations by the Customs Service must be conducted under DEA supervision pursuant to the cross-designation mechanism.

In implementing the cross-designation procedures referenced above, it will be necessary to ensure that all requests for criminal complaints, for warrants to arrest, search or seize persons or property, for Title III wire or oral interceptions, and for civil arrest warrants or complaints for forfeiture, which state an offense under the Controlled Substances Act or the Controlled Substances Import Export Act, be made only by agents of the DEA, the FBI, or by Customs agents cross-designated pursuant to 21 U.S.C. 873(b) operating under DEA supervision as noted above. When requests do not comply with the above procedures, the Customs agents should be required to obtain the proper cross-designation.

The OLC opinion makes clear that when the Customs Service possesses independent statutory authority to seize and forfeit property, and the United States Attorney prosecutes the forfeiture under section 881, forfeited cash and/or the proceeds of any subsequent forfeitures must be deposited in the Customs Forfeiture Fund. With respect to tangible property seized in such cases, the Attorney General will ordinarily exercise his discretion under section 881 to transfer such seized tangible property to the Customs Service, or, through the Customs Service, to a state or local law enforcement agency designated by the Customs Service.

By contrast, in those instances when the Customs Service seizes property solely under authority of section 881, pursuant to the cross-designation procedures, forfeited cash and/or the proceeds of a forfeiture must be deposited in the Department of Justice Assets Forfeiture Fund. Such cash or proceeds, as well as tangible property seized by the Customs Service under authority of section 881, will be shared in accordance with applicable rules of equitable sharing. Notwithstanding section III.A.2 of the Attorney General's Guidelines on Seized and Forfeited Property, which prohibits cash transfers to any Federal agency, forfeited cash and proceeds from the sale of forfeited assets may be transferred by the Attorney General to the Customs Forfeiture Fund.

Pending judicial forfeiture pursuant to section 881, the Customs Service shall maintain custody and control of seized tangible property in accordance with currently applicable rules and procedures.

The Customs Service has made and will continue to make important contributions in drug enforcement. It is our hope and expectation that the procedures to implement the OLC opinion, as outlined above, will permit uninterrupted continuation of the cooperative efforts of Federal law enforcement agencies in drug enforcement activities. DEA and Customs Service supervisory personnel in the field should be provided with a copy of this memorandum and the OLC opinion for dissemination to all affected personnel.

Questions or comments relating to the policy set forth in this memorandum should be addressed to Margaret Love, Deputy Associate Attorney General, Department of Justice (FTS 633-3951) or Gerald Hilsher, Deputy Assistant Secretary for Law Enforcement, Department of the Treasury (FTS 566-5054). Specific problems in implementing the cross-designation procedure should be brought to the attention of DEA Assistant Administrator David Westrate (FTS 633-1329), or Customs Assistant Commissioner William Rosenblatt (FTS 566-2416).

Senator DeConcini. Thank you.

I met a Customs officer that was with President Bush when he was on the west coast at a forfeiture distribution ceremony there. I don't know if you were there or not?

Mr. Brady. I wasn't, no.

Senator DeConcini. He said that they had a nice table discussion with the President, and one of the Customs officials there reportedly asked the President if he knew about the decision on section 881, the interpretation—that if it were literally enforced there wouldn't be any more ceremonies like this, where Customs would be turning over these funds to local State authorities.

The President purportedly said, no; he didn't, and they said, well, how did that happen? And he said, well, Mr. Thornburgh made the opinion. He happened to be in that audience, and the President said he was going to talk to him.

I am not trying to get the Attorney General in anything other than the full cooperative effort here, but I think it is crucial to Customs and other law enforcement personnel, particularly on the local level, that those funds do not dry up.

RESULTS FROM WEAPONS SURVEY

Mr. Secretary, just going back to this survey that you said you would share with us, when will that be available?

Mr. Brady. Do you know when the results of this survey are going to come back?

Mr. Small. Yes; the prediction is that the results will be back in 3 to 4 weeks. They estimated a 90-day to 120-day time line when the survey originally went out.

Senator DeConcini. From when?

Mr. Small. It was March 14, I believe, was the date it went out.

Senator DeConcini. March 14.

Mr. **Small**. But I have gotten information that says that they are about half way through at this point, and they expect to have the results out within 3 to 4 weeks.

Senator **DeConcini**. Will the administration wait until then before it takes any position? Do you know, Mr. Secretary?

Mr. **Brady**. I am not sure of the answer to that question. It seems like a long time to me, but I know we would like to have the survey before we——

Senator **DeConcini**. My concern is, there is a lot of legislation. Mine doesn't have to be it, or maybe nothing will come of it, but there is legislation moving in this body that to me is very restrictive of second amendment rights. Some will even contend that my own bill is restrictive. I would hope you might have some input with the White House to get them to come up with some alternative, other than the NRA's position, and that is just to enforce the laws.

We hear that all the time, and everybody is for that, and certainly this Senator is.

IRS FISCAL YEAR 1990 BUDGET REQUEST

Let me ask you a couple of questions, Mr. Secretary, about the IRS.

Your testimony states that the fiscal year 1990 budget request for the Treasury Department is $8 billion, 155,000 full-time equivalent positions. As you point out, the 1990 level is $311 million and 1,900 positions over the 1989 enacted level. The original administration budget proposal calls for a $289 million increase for the IRS.

As I understand the new budget agreement, and please correct me if I am wrong, an increase of $109 million is being requested for an IRS revenue initiative alone.

Does the budget agreement assume any other increases for the IRS for tax processing, or taxpayer services?

Mr. **Brady**. It is my understanding that it does not, that that was the——

Mr. **Nummy**. Are you talking about enforcement? Or the total IRS budget?

Mr. **Brady**. The total budget.

Senator **DeConcini**. The total IRS budget, taxpayer processing and taxpayer service. Are there any increases in those?

Mr. **Nummy**. We are examining, at this point in time, whether recently passed legislation may require additional funding, and that is within the Department at the moment.

If we come to the conclusion that it will, we will submit that as an amendment. If we are definitely going to require——

Senator **DeConcini**. For additional funds, or for programming, or what?

Mr. **Nummy**. For additional funds for the Internal Revenue Service.

Senator **DeConcini**. When are you going to have that, Mr. Nummy?

Mr. **Nummy**. Hopefully before you markup. Hopefully.

Senator DeConcini. OK. We will be hard pressed to provide any increase for the IRS funding accounts if we don't have it, and even if we do have it, I am not sure where we are going to get it.

IRS ENFORCEMENT

Do you know how much, Mr. Nummy—how do you know the estimates of revenue to be generated from these increased enforcement initiatives are really going to bring in the new revenues that they are supposed to?

Mr. Brady. Can I just, if I might, add to that?

Senator DeConcini. Yes; Mr. Secretary.

Mr. Brady. At the time of the budget negotiations, Mr. Chairman, we got a pretty precise reading from the IRS that these programs would produce the revenues that are indicated in the budget agreement.

As you may notice, the return is coming down, whereas we used to get returns as high as 10 and 15 to 1 for enforcement initiatives, it is coming down now, so, obviously, we noticed that and asked the IRS to be particularly careful in their estimates.

Senator DeConcini. Well, the $109 million is supposed to bring in roughly $500-and-some million.

Mr. Brady. The figure in the budget agreement, I believe, was rounded to $500 million.

Senator DeConcini. We have been down this road so many times here, and not to fault the IRS, because we have never given them the money in a timely fashion, that they could ever collect what they said they could.

We have always waited around and waited around, and even in the drug bill last year we never gave them the full amount of money.

MONEY LAUNDERING

Let me ask you about money laundering, Mr. Secretary, if you can help us here.

The Customs Service and the Internal Revenue Service have been involved in several successful investigations to prosecute money laundering operations involving illegal drug profits. These investigations, which target the assets of drug traffickers, are critical to the success of the war on drugs.

Are there any plans at the Department of the Treasury to increase the amount of personnel and resources available for money laundering investigations?

Mr. Brady. It is my understanding, Mr. Chairman, that the President added $3 million inside Customs for money laundering, and of the $86 million that was included in the IRS base, some $23 million is for, essentially, the drug money laundering.

Senator DeConcini. Is that new money, or is that within the——

Mr. Brady. I believe it is new money.

Senator DeConcini. How many people will that involve? New personnel, do you know?

Mr. Nummy. I am sorry. Not all of that is new money; $23 million is the total amount of funding within the Internal Revenue

Service for money laundering. I don't know the precise number of personnel, but we are certainly going to determine that.

Senator DECONCINI. And if you would supply that to us, that would be fine.

[The information follows:]

The baseline for money laundering is $85.9 million, of which $23 million and 260 FTE is included in the Internal Revenue Service.

FOREIGN ASSETS CONTROL

Mr. Secretary, let me turn to foreign assets control.

The Office of Foreign Assets Control, which is charged with implementing economic sanctions against certain countries, like South Africa, Cuba, Libya, Panama, and others, seems to be woefully understaffed.

This office, as you know, is responsible for blocking $3 to $4 billion in assets from being paid out or transferred from the United States without a specific license from the Department of the Treasury.

The program has tremendous responsibilities with regard to the enforcement of sanctions against foreign countries.

Since there is no reference to this office in your budget justification, can you tell the committee what the estimated budget for this office is in fiscal years 1989 or 1990?

Mr. BRADY. I believe the figure is $900,000, but, David, do you know what it is?

Mr. NUMMY. That is correct.

Senator DECONCINI. And that is for 1989?

Mr. NUMMY. Yes; 1989, and for——

Senator DECONCINI. And the same amount? No increase?

Mr. NUMMY. In terms of the request that is before the committee, it would be at that level, yes.

Senator DECONCINI. Do you have any—is there any report or assessment of that office, under Treasury, about what they are handling, and what they do?

Mr. NUMMY. Yes, sir; there is.

Mr. BRADY. I can give you these documents, Mr. Chairman, which describe some of the responsibilities of the Office of Foreign Assets Control. I will see that others are made available to you as they are issued.

[CLERK'S NOTE.—The documents will not be printed in the hearing record, but they will be available for review from the subcommittee office.]

Senator DECONCINI. OK, I would like to take a look at that. Thank you.

I have received some complaints from Cuban nationals in the Miami area, who allege that Cuban agents in Miami are extorting substantial sums of money from individuals who have families in and other ties to Cuba.

The Office of Foreign Assets Control, which is supposed to investigate these illegal activities, has 18 full-time staffers, and out of this number, only one individual is assigned the responsibility for Cuba.

Now, I understand the situation in Los Angeles regarding Vietnamese nationals is even worse, but there is only one-third of one staff person who is assigned responsibility for investigating illegal activities involving the Vietnamese, and enforcing the Trading With the Enemy Act for this country.

Is this enough staffing, Mr. Secretary? Or maybe you want to look at the budget for this office under the conditions that I just set forth here, and see if there is a need for taking a little closer look at it?

Based on the complaints that I have, I wonder if you can do that for us, and let us know what you think. Maybe you already have.

Mr. Brady. Absolutely, we will get back to you.

[The information follows:]

Mr. Chairman, we are fully aware of the issues raised by the Cuban Americans and Vietnamese nationals concerning violations of the U.S. embargoes. Every effort is being made by the Office of Foreign Assets Control to address their problems and to ensure that the sanctions are enforced and the public is aware of sanctions prohibitions. To assist the Office with its substantial responsibilities, we have arranged for the assignment of three temporary employees and are also supplementing staff with four details from the Customs Service.

I believe that the Office of Foreign Assets Control is currently doing an exceptional job of enforcing the sanctions and embargo programs that it administers. As with most programs, much more could be accomplished with additional staff and resources; however, the Departmental Offices must operate as efficiently as possible with funds provided and achieve a sensible balance between its tremendous needs and its finite budget.

Senator DeConcini. Do you know anything, Mr. Small, or Mr. Nummy?

Mr. Small. Well, we know that the complaints exist, and we are looking at them. We also—and you should be aware, and I am sure you are aware, Mr. Chairman, that when the office believes—the Office of Foreign Assets Control believes that an investigation arises to a criminal violation that agencies like the Customs Service and the FBI are brought in by request to help them investigate the crimes, and that is where it would pick up additional investigative support, and, when appropriate, they are turned over to the appropriate Department of Justice division for prosecutions.

So, down the line, we do pick up much of the support that we need to move these matters along.

Senator DeConcini. So, if there is indication that there ought to be a criminal investigation, then the office turns to one of the other law enforcement agencies for that assistance?

Mr. Small. That is correct, because, as I am sure you are aware, the investigators within the Office of Foreign Assets Control do not have that——

Senator DeConcini. You have no investigators, you have no travel money? It is only the office in Washington that I know of that doesn't have any travel money. So what do they do? Do they ask Customs or somebody to go and investigate——

Mr. Small. That is right.

Senator DeConcini [continuing]. And take a deposition, or questions, or what have you?

Mr. Small. Correct. Although they have many law enforcement capabilities, they do not have a large staff. They have, statutorily, the investigative jurisdiction that the Customs Service or any other law enforcement agency has to actually investigate, to request subpoenas for documents, and things of that nature. I can give you some additional information for the record.

[The information follows:]

The Office of Foreign Assets Control has authority to investigate violations, require the production of records and reports, issue administrative orders, block assets of a foreign national in the U.S. or in U.S. subsidiary trade, impose penalties, and refer cases to the Department of Justice for prosecution. In fact, they have many of the authorities of a general law enforcement agency; however, they don't have a large staff. Therefore, they are required to utilize other law enforcement agencies for assistance in investigations, notably the Customs Service and the FBI.

ADDITIONAL COMMITTEE QUESTIONS

Senator **DECONCINI**. I am just interested, Mr. Secretary, that it might get a little bit of your attention, or that of some of your staff here.

Mr. Secretary, thank you for staying so long. I appreciate it, and I am sorry about the interruption for the votes.

I do have a number of other questions from Senator Byrd and others, but I will submit them for you to answer for the record. I will submit mine along with them. We certainly appreciate your willingness to stay as long as you did. I would also like to thank Mr. Small and Mr. Nummy for their assistance.

Mr. **BRADY**. Thank you, Mr. Chairman

Mr. **NUMMY**. Thank you, Mr. Chairman.

Mr. **SMALL**. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

THIRD WORLD DEBT

Senator DeConcini. I know a great deal of your time and efforts in the past couple of months have been devoted to formulating a plan to address debt relief for Third World Countries. I commend you for an excellent job in addressing this critical problem.

On March 15th I wrote you a letter suggesting a third element that I believe should be incorporated in your debt reduction plan -- increased cooperation on anti-drug programs. Under my proposal, the U.S. would require major narcotics-producing countries which are also large debtor nations like Mexico and Peru, to come up with mandatory eradication targets before they would be eligible to benefit from the Brady Plan.

I also believe we must seek from these countries increased cooperation with the U.S. on enforcement and interdiction programs.

Do you support such a concept for increasing the cooperation we receive from these narcotics-producing countries, and has there been any discussion on such a provision during formulation of the Brady Plan?

Secretary Brady. I must apologize for the delay in responding to your letter. That response has now been provided, but I will briefly outline our position on this issue here.

The Treasury Department and the Administration as a whole are strongly committed to anti-drug programs, and we agree with you that increased cooperation on enforcement and interdiction is necessary. However, we do not believe that linking debt reduction to mandatory eradication targets would help advance either our anti-drug programs or our efforts to address developing countries' debt problems. Such an inextricable tie could negatively affect both our debt strategy and anti-drug programs. We intend to pursue each objective independently and with determination.

Senator DeConcini. It is likely that Mexico will be the first test of the Brady Plan on how to deal with Third World Debt. Mexico is also the number one source of heroin and marijuana coming into the United States and a major transit point for cocaine. I believe Mexico would be the perfect candidate for the U.S. to address two problems at the same time.

Do you believe that this carrot and stick approach should be used with Mexico?

Secretary Brady. Although we agree that anti-drug programs are particularly important in Mexico, given its proximity to the United States and its role in narcotics trafficking, we do not feel that linking progress on Mexico's debt problems to its anti-drug efforts would be productive. We need to make rapid progress with Mexico in both these areas, and we feel that we can best do so without such a "carrot and stick" approach.

OCDETF TRANSFERS

Question. The FY 90 Treasury budget assumes a transfer of $13.6 million and 614 staff positions to the Department of Justice for Organized Crime Drug Enforcement Task Force activities. What specific assurances has Treasury received from Justice on the reallocation of the funds and positions to the Treasury Bureaus to carry out organized crime activities?

Is there a formal agreement with Justice? If not, why not?

What will be the impact on the Treasury Bureaus if the Department of Justice budget is insufficient to support its proposed activities for FY 90? Could Justice technically keep some of these funds?

Answer. The Treasury Department has received verbal assurances from the Department of Justice that we would be reimbursed for the amounts transferred in FY 1990. There is no formal agreement. The Executive Branch is simply trying to comply with this legislative change as it was proposed by the Congress. Although unlikely, if the Department of Justice does not provide full funding for this staffing the worst case scenario would result in a reduction-in-force.

IRS FUNDING FOR ENFORCEMENT OF TAX-EXEMPT BOND RULES

Mr. DECONCINI. The National Association of Bond Lawyers (NABL) recently sent me a letter expressing concern about the enforcement of laws relating to tax-exempt financing. Specifically, they were seeking additional funds from this Subcommittee to improve enforcement in that area. Further, they suggest that Treasury and IRS have been lax not only in enforcement but in the writing of regulations.

I would ask you to take a look at the issues they have raised and let me know your reaction to them. While I am sympathetic to the concerns they raise, I am not sure this subcommittee wants to start micromanaging in this area unless a compelling case can be made.

Secretary BRADY. The restrictions imposed on tax-exempt bonds by the Tax Reform Act of 1986 were badly needed, and no level of enforcement of the prior law rules adequately could have dealt with the excesses that had arisen. We agree, however, that some of the more serious abuses that occurred under prior law might not have occurred if the IRS had allocated more of its scarce resources to enforcement. We also share the concern that a lack of vigorous enforcement of the new restrictions -- particularly the new arbitrage restrictions -- could lead to continued abuses and more restrictions being imposed by the Congress. It is in the best interests of the Federal Government and the tax-exempt bond community that this does not happen.

There was a lack of adequate enforcement in the past for several reasons. The primary reason was that the rules were very difficult to enforce. For example, prior to the Tax Reform Act of 1986 the arbitrage restrictions generally were applied on the basis of the issuer's reasonable expectations at the time of issuance regarding the future use of the bond proceeds. The regulations permitted issuers to certify as to their reasonable expectations on the date of issue. The certification procedure was designed to protect issuers from subsequent disputes as to what their expectations actually were, and the certification could be relied on if it was not executed in bad faith.

Because of the abuses that occurred under prior law, Congress in the 1986 Act moved away from rules that depend on the expectations of the issuer. For example, issuers of tax-exempt bonds are now required to rebate all arbitrage profits to the United States. The arbitrage rebate requirement is not based on reasonable expectations -- the issuer must rebate the arbitrage profits actually earned from investing the bond proceeds during the term of the issue or the bonds are not tax-exempt. This is the type of requirement that the IRS vigorously can enforce.

Another reason for a lack of adequate enforcement is that the penalty for failing to comply with the tax-exempt bond rules is that the interest on the bonds is taxable. This penalty does not fall directly on the party responsible for the failure to comply, and the penalty is often excessive. Vigorous enforcement efforts, therefore, might meet with political resistance. Congress may want to consider providing the IRS with alternative remedies to facilitate the enforcement of these laws in the vigorous and even-handed fashion intended.

Our tax system relies heavily on taxpayers to voluntarily comply with the rules. The system, however, cannot work without enforcement. The inevitable result of a lack of enforcement is a loss of respect for the tax system. Eventually, even those taxpayers that want to comply with the rules may stop complying. Since there has been a failure in the past to allocate adequate resources in this area, we believe that the recommendation that additional funds be provided to the

IRS and earmarked for a program to improve enforcement in the tax-exempt bond area has merit.

NABL also expressed concern that Treasury and the IRS have been lax in writing regulations to implement the tax-exempt bond requirements. A substantial set of regulations recently were issued to implement the arbitrage rebate requirement imposed under the 1986 Act. Other tax-exempt bond regulations are in the process of of being developed. The job of implementing the 1986 Act through regulations is an enormous one, and the issuance of timely guidance is a high priority for the IRS.

IRS SUPPLEMENTAL TRANSFER REQUEST

Senator DeConcini: Are you aware that the IRS has already transferred $10 million into the Exams and Appeals account in FY 1989? Now the Congress is being asked to reverse that action, but the explanation in the supplemental states that the transfer is necessary to correct a technical error made by this committee in conference last year. This committee did not make any errors, technical or otherwise, on the FY 1989 bill. The levels appropriated by account for the IRS were given to this subcommittee by Treasury, because IRS refused to give us the information we needed. As you can imagine, we find the reference to an alleged error galling. Have you looked at this request, Mr. Secretary, and if so, why was the supplemental transfer request approved by Treasury when IRS has 4 percent transfer authority?

Secretary Brady: The reason for requesting a supplemental transfer, which requires more formal Congressional approval, is to permanently address programmatic shortfalls of serious concern to the Congress, namely timely and accurate processing of tax returns and adequacy of the Taxpayer Service Program. These transfers had initially been made in the FY 1988 budget, as presented with the FY 1989 request. The proposed supplemental appropriation transfers, having a "zero sum" effect, are requested simply to maintain FY 1988 resource levels for processing and service. This will ensure that other funds appropriated for improving service are used for that purpose within the appropriations they were requested. The proposed transfer will allow further latitude, if necessary, for requesting Committee approval of additional transfers under the four percent authority, depending on adjustments that may be needed for cost absorptions and for achieving a successful tax filing season.
However, if the Committee deems the use of already provided transfer authority to be the preferred vehicle for adjustments among accounts, Treasury will work with the Committee to achieve the desired program objectives without relying on a supplemental appropriation transfer.

Senator DeConcini: In Addition to the transfer, Mr. Secretary, the IRS accounts of "Examinations and Appeals" and "Salaries and Expenses" are being subjected to the across-the-board cut to the tune of $19.4 million. With all of the stories in the news media about an IRS budgetary shortfall this year, won't this cut just exacerbate the situation? What effect will this additional reduction have on IRS this fiscal year?

Secretary Brady: According to the IRS, the proposed $1.0M reduction in the S&E account will have no revenue impact, but primarily will involve reductions in overtime and travel. The revenue effect of the $20.5M proposed reduction for the Examination and Appeals (E&A) account is uncertain, depending in part on whether the reduction is viewed in isolation from numerous other adjustments affecting the account as the 1989 budget is executed. For example, full funding was not appropriated for the 4.1 percent January 1989 pay raise. The IRS staffing level is not dropping to target as quickly as expected because attrition has slowed, in part a response to recent hiring restrictions within the bureau. IRS has also undertaken several programmatic adjustments throughout the year in support of judicious tax administration.

These adjustments have required absorptions in all IRS appropriations, including the E&A account. Some could be expected to have a positive impact on revenue receipts while others may reduce receipts. If the impact of the proposed $20.5 million reduction in the E&A account were viewed in isolation from these other adjustments, Treasury would acknowledge a revenue impact of up to $68 million. This would be misleading, however, in terms of overall enforcement receipts.

Within the context of mid-course corrections that must be constantly performed for any large organization each year, the IRS and Treasury Department continue to explore any remaining reprogramming options that would alleviate the pressure on the E&A appropriation. This is not to suggest that IRS is not experiencing a tight year, as indicated in recent testimony before your Subcommittee. However, by continually evaluating discretionary expenditure decisions, we are reviewing options on how to address current absorption requirements without further impacts on revenue yield.

Therefore, when we look at the picture more broadly than the impact of this specific reduction proposal currently before the Congress, we believe the overall enforcement revenue variance from the estimate implicit in the President's Budget would be minimal.

Senator DeConcini: It is my understanding that the net revenue loss from the across-the-board reduction to the "Exams and Appeals" account will be somewhere in the neighborhood of $68 million. Did OMB discuss these reductions with Treasury before they decided to include them in the FY 1989 supplemental? If so, did you identify the net revenue loss that would likely occur from the reduction to the "Exams and Appeals" account?

Secretary Brady: OMB did not discuss the 1.1 percent reduction with Treasury before making the decision to propose it.

FY 1989 GENERAL IRS SITUATION

Senator DeConcini: I have seen repeated news accounts in the media about a shortfall of funds for basic operating costs of the IRS this fiscal year. News accounts state that IRS is running out of paper and pencils and that broken equipment cannot be repaired due to a lack of funds. I then hear that IRS appealed to OMB for a supplemental funding request of $305 million, which was denied.

What is your assessment of the current funding situation for the IRS? Is the shortfall significant and if so, why? If the IRS does not receive additional funds in FY 1989, where will that put then vis-a-vis their FY 1990 budget? Will that budget be short as well?

Secretary Brady: The IRS "shortfall" represents two basic kinds of funding issues. Some mandatory cost increases are being absorbed as a result of either Administration or Congressional policy, being adopted Government-wide. These include the Congressionally required pay raise absorption, special salary rates and higher pay grades in competitive labor markets, and higher health and retirement benefit costs. As noted by GAO in recent testimony before the House Ways and Means Subcommittee on Oversight, another part of the "shortfall" has occurred due to IRS's decision to reprogram funds so it could undertake several unfunded program enhancements. Primary among these is the Taxpayer Service program. Funds have also been reprogrammed for wage report reconciliation, service center adjustments/correspondence, and currency transaction reports.

All of these costs will be successfully addressed. This will be achieved by cancelling or postponing many discretionary expenditures in services, supplies, equipment, travel, and space acquisition; and by maintaining a selective hiring freeze. It is important that we work together in resolving the appropriation transfer issues associated with these shortfalls so that this can be achieved as smoothly as possible.

For FY 1990, some of the FY 1989 shortfall issues will continue to require permanent reallocation of funds. Among the shortfall categories requiring permanent support through reallocation are retirement and health benefit issues, part of the January 1989 pay raise, and the special salary rates and higher grades being offered in the most competitive labor markets.

ALCOHOL, TOBACCO AND FIREARMS

Senator Deconcini: I know for a fact that the across-the-board reduction for the Bureau of Alcohol, Tobacco, and Firearms, which equal $2.6 million, will force "ATF" to fund no more than 3,636 staff positions -- an amount which is 65 positions under the level provided by the committee in bill language in the FY 1989 Bill. Furthermore, this cut would require the agency to establish a hiring freeze starting July 1, 1989. Mr. Secretary, this is just unacceptable. This committee worked very hard last year to provide the funds needed to allow BATF to carry-out its responsibilities. Have you reviewed this proposed reduction and the affect it will have on ATF's ability to continue the Armed Career Criminals Program a the level authorized by the Congress? If so, What did you conclude?

Secretary Brady: In general, any cuts would be achieved by cutting back or postponing activities such as discretionary training, non-essential travel, procurement of supplies and equipment, overtime, and employee relocations. We would expect the bureau to absorb any reduction to their budget in ways that minimize the impacts on the Armed Career Criminal Program, although some impacts may be unavoidable.

Senator DeConcini: It is my understanding that the reduction will result in a 29 percent reduction in the number of organized crime Drug Enforcement Task Force cases involving violent criminals. As a result of these investigations in fiscal year 1988, ATF seized 3,323 firearms, 40,434 rounds of ammunition, and 94.5 pounds of explosives. If ATF's budget is cut by the $2.6 million proposed by the President, I am advised that these seizures would also be reduced by 29 percent. Are you aware of this impact, Mr. Secretary, and if so, what are your views on it?

Secretary Brady: We believe these impact estimates to be overstated. ATF has and will continue to effectively manage its resources to target, investigate, and prosecute armed traffickers and violent criminals for violation of Federal firearms laws.

ALCOHOL LAW ENFORCEMENT TRANSFER

Senator DeConcini: Mr. Secretary, I am pleased that the Administration has decided to support full funding for the Bureau of Alcohol, Tobacco, and Firearms Armed Career Criminals program in FY 1990. This is a very effective program, Mr. Secretary, and one that gets at the heart of the drug problem.

Nonetheless, I am concerned that the Administration proposes to fund the armed career criminals program by redirecting funds from the Alcohol Enforcement Program. Mr. Secretary, unless the Congress changes existing legislation, Alcohol Enforcement activities must be continued.

Additionally, I am afraid that cuts in the program will have a negative impact on ATF's ability to collect Alcohol programs mandated by Treasury or by OMB? If this was a Treasury proposal, can you provide the committee with your justification for such an action?

Secretary Brady: The Treasury Department mandated a redirection of $0.8 million and 10 FTE from Alcohol Enforcement to Firearms Enforcement to target violent groups. The OMB allowance shifted $2.8 million and 24 FTE between these two groups.

Our rationale was that the Alcohol Enforcement Program, particularly the illicit alcohol portion of the program, is experiencing a decline in workload. For example, investigations of the manufacture of illicit alcohol have declined by 45 percent from FY 1986 to FY 1988. However, demands on the Firearms Enforcement Program continue to increase. For example, in FY 1988, ATF noted a 17 percent increase in firearms defendants over the previous year.

The remaining Alcohol Program resources will be sufficient to investigate criminal violations of the Federal Alcohol Administration Act and sections of the Internal Revenue Code. Emphasis in the Alcohol Program will be placed on deterrence of large-scale manufacturers and distributors of non-tax paid alcohol.
The redirection will not impact on ATF's ability to collect excise taxes.

OTHER LAW ENFORCEMENT AGENCIES

Senator DeConcini: Mr. Secretary, the Secret Service, the Customs Service, and the Federal Law Enforcement Training Center will all be forced to suffer budget cutbacks which will affect security projects, law enforcement training, and inspection of cargo for narcotics. I find the impacts from the reduction just simply appalling. Have you discussed with these law enforcement bureaus what the impact would be on their programs? And, are you willing to live with reductions in the level of activity directly related to law enforcement?

Secretary Brady: I am aware of the impact the reduction would have on the bureaus. The proposed reduction will extend the length of time required to implement various programs although we do not anticipate any serious enforcement or protection problems.

CUSTOMS AIR PROGRAM

Senator Deconcini: Mr. Secretary, the National Drug Policy Board of the Reagan Administration adopted a drug air interdiction strategy to be implemented by the U.S. Customs Service. The program was designed to give Customs the air assets, radar, and personnel necessary to effectively seal off our borders from illegal general aviation aircraft carrying narcotics. Over the past several years, this subcommittee has provided funding to allow the customs service to acquire aerostats, surveillance, interception, and apprehension aircraft to deter would-be drug smugglers. In order for Customs to fully implement its air interdiction strategy by 1992, additional funding for procurement of air assets is needed in fiscal year 1990. The proposed FY 1990 budget for the U.S. Customs service does not contain any new funds to allow customs to meet their targeted deadline of 1992.

Customs needs about $155 million to acquire the 3rd and 4th P3-AEWs; 10 additional citation IIs; and pay for the cost of the Great Inagua Aerostat; as well as an air personnel level of 960 to support these assets. Did Customs request these funds of Treasury when it developed its FY 1990 budget? If so, what portion of these requests did you approve or deny for the Air Program and why?

Secretary Brady: Customs requested funds for the P-3s, the Citations, and support personnel. An aerostat was requested for Texas, the sixth aerostat for the Southwest border.

Treasury approved the aerostat to complete the system on the Southwest border. Treasury did not approve the remaining requests. The existing air interdiction strategy called for deployment of one P3-AEW radar aircraft. Our budget currently funds two. The strategy also calls for four additional Citation interceptors, not ten. When we were reviewing the FY 1990 request, we anticipated the Anti-Drug Abuse Act of 1988 to fund these. Our overall consideration was that the Anti-Drug Abuse

Act reflects clear legislative intent for a new strategic review of Nation's War on Drugs.

Until we have the opportunity to work with the Drug Czar on a strategies and priorities, it is premature to greatly expand existing programs or undertake new drug initiatives.

Senator DeConcini: Mr. Secretary, Customs cannot do its job to help the President "rid this nation from the scourge of drugs" without a sufficient air budget. If you intend to help the President in his anti-drug crusade, why aren't funds being requested for the procurement of additional air assets in fiscal year 1990?

Secretary Brady: Our request does support a strong air program. However, our FY 1990 request focuses on increased cargo exams. An additional $28 million and 550 positions are requested. This is based on the great effectiveness of cargo exams in the detection illegal drugs. Cargo exams are responsible for most of Customs' cocaine seizures. On a dollar value of drugs seized per dollar spent basis, the cargo exams program yield is 472:1. The air program yield is 18:1.

Senator DeConcini: In February of this year, NBC news ran a story which was sharply critical of the Customs Drug Interdiction efforts. The story was far from being objective. Nonetheless, the thing that troubles me is that we have embarked on a Drug Interdiction Program, which the experts said would deter illegal smuggling, but until all of the components are in place, we cannot truly measure the effectiveness of the program. The naysayers will continue to make Customs a target until the program is fully implemented. I think it is unfair, but I also think that you, as Treasury Secretary, have an obligation to see this program through. Is Treasury behind this effort or not? If so, Why doesn't your FY 1990 budget reflect that support?

Secretary Brady: The FY 1990 budget for Customs allows it to meet its mission. Drug enforcement funding includes increases of:

- -- $28 million and 550 staff years for more examinations of cargo containers.
- -- $3 million for money laundering,
- -- $20 million of the operational costs of the six aerostats on the Southwest border,
- -- $6 million for expanded helicopter operations,
- -- $2 million for spare parts for our detection and interception aircraft, and
- -- $5 million for 300 terminals to access Customs' intelligence and investigative computer database.

Senator DeConcini: Your testimony, Mr. Secretary, states that the $8 billion budget request for the Treasury department in FY 1990, represents "a necessary license to support the President's war on drugs through increased interdiction." Besides the cargo container initiative, can you identify specific activities in the Customs Budget which will increase interdiction efforts over the level being provided in FY 1989?

Secretary Brady: The FY 1990 request includes:

- $20 million for the operation of the aerostats.
- $6 million for helicopter operations.
- $2 million for radar spare parts to reduce the potential for time lost due to aircraft repairs.

Senator DeConcini: The proceeds from seizures are taken from the Customs Forfeiture Fund to support the costs of investigations by Customs. If Customs has to wait for the Department of Justice to share those proceeds, I am afraid that the Customs Forfeiture Fund will experience a significant shortfall. Has the financial impact on the Customs Forfeiture fund been taken into consideration by Treasury? If so, what specific impact do you think it will have on Customs' use of the fund to support the Drug investigations?

Secretary Brady: The effect is at this time unknown. Prior to the issuance of the OLC opinion and the joint memorandum of February 9. 1989, the Customs Service routinely made seizures of currency, conveyances, and other property pursuant to Title 21 United States Code, Section 881, as well as other statutes enforced by Customs. In some instances Section 881 was the only statute utilized to effect the seizure and forfeiture. It is the loss of these types of seizures and forfeitures that could adversely affect the Customs Asset Sharing Program and reimbursement to state and local agencies through the Customs Forfeiture Fund.

In signing the MOA of February 9, 1989, the Customs Service made it clear that we had no objection to the agreement based on the understanding that the Customs Forfeiture Fund and the Asset Sharing Program with state and local agencies would not be markedly affected. We further expect to maintain our current ability to expeditiously process and share those assets or proceeds which we have seized. As a result of the MOA, Customs will be meeting with the personnel of the Department of Justice Forfeiture Fund in order to establish procedures which will enable both agencies to comply with the OLC opinion and preserve the current operational functions and capabilities of both forfeiture funds.

TAX REDESIGN

Senator DeConcini: The 1990 budget for the IRS contains $933 million for automated data processing activities of the service. These funds are proposed to maintain the current system as well as allow the IRS to move ahead on tax system redesign activities. I don't know about you, Mr. Secretary, but I have had a very difficult time trying to track which "ADP" projects are part of the Tax Redesign Modernization efforts. One year, certain projects are listed in modernization, the next year they disappear. What I'm afraid of is that we have been funding activities which we thought wee part of the Tax Redesign System and we may find that those funds were not allocated for that effort.

I think what we need is a special account in the IRS budget specifically for Tax Redesign. Has your staff taken a careful look at the IRS automated data processing program, and if so, would they care to comment on the establishment of a specific account for Tax Redesign?

Secretary Brady: We have been and will continue to closely monitor IRS's Automated Data Processing program. Establishment of a separate account for tax redesign would serve to prevent reallocations and thereby require a focus on tax redesign. Another option is to establish a separate appropriation for all of IRS's Information Systems activities, both current operations and systems modernization or development activities. IRS is facing some very serious problems in it's Information Systems program, due to the age of their outmoded equipment and also due to a previously identified capacity problem, expected to materialize in the early 1990's without funding for tax system redesign. Therefore, we feel it is very important to encourage and support IRS, in what we feel is a very complex process, towards redesign of the tax administration system.

Senator DeConcini: If Tax Redesign is the number one priority for IRS in FY 1990, it seems to me that in order to fund basic operations of the service and maintain current services, we should forego embarking on new initiatives for the IRS until we are assured the priorities are met. What would be your reaction this direction, Mr. Secretary?

Secretary Brady: As we have said, IRS is facing some very serious problems in it's Information Systems program due to the age of their outmoded equipment and also due to a previously identified capacity problem.

IRS's Information Systems budget includes $102.3M in program increases and $111.4M in reductions. This budget reflects a conscious policy decision to forego embarking on many Information Systems initiatives in favor of supporting Tax System Redesign. Further reductions would only serve to increase the potential for breakdowns in service and hence would not have our support.

FY 1990 BUDGET REQUESTS

Senator Deconcini: Mr. Secretary, I know Treasury reduced the requests from your bureaus by $1.3 billion in the initial request you sent to OMB for FY 1990. Treasury's request was then cut by OMB by $700 million. The biggest reductions from the original agency requests are planned for the IRS (-$1.4 billion) and the U.S. Customs Service (-$500 million). This indicates to me that we can expect a significant funding shortfall for both of these agencies in FY 1990 unless the Congress provides additional funds.

Mr. Secretary, these agencies are charged with implementing some very critical federal programs, but it appears that the Department is not giving sufficient support to the agencies. Our favorite activity around here is beating up on the OMB Director, and he will be before this subcommittee on Thursday. But, looking at these figures, I am more concerned that Treasury is responsible for the cuts --- not OMB. Why aren't you supporting the funding requirements of your own bureaus?

How do you expect your bureaus to carry out their responsibilities under the law, especially in the area of drug enforcement, without sufficient budgets?

Secretary Brady: In reviewing bureau requests, the Department balances the need to fund critical initiatives and keep pace with inflation with the common goal of cutting the Federal deficit and meeting Gramm-Rudman targets.

The bureaus' initial request to the Department for FY 1990 totalled almost $10 Billion, or 128 percent of FY 1989 levels. This was clearly excessive and could not be supported by the Department in total.

Reductions made by the Department include our proposal to restructure the Internal Revenue Service's Information Systems program, which resulted in cutting $354 Million from their request.

We believe our budget represents a defensible and adequate proposal for FY 1990.

FEDERAL LAW ENFORCEMENT TRAINING CENTER

Senator DeConcini: Mr. Secretary, your testimony states that the FY 1990 Budget request for the Federal Law Enforcement Training Center will fully meet the basic and advanced law enforcement training needs of the participating agencies. While I am pleased that funding has been requested for a new dormitory, I am concerned that no funds have been requested in FY 1990 for continued implementation of the Federal Law Enforcement Training Center's Master Plan. Mr. Secretary, last year, "FLETC" had to contract with Fort McClellan to train "INS" students. I strongly support the concept of consolidated law enforcement training, but, if "FLETC" does not have the funds to provide the facilities for the training requirements of other Federal Agencies, we will see a continuing fragmentation of the consolidation efforts.

So, I guess what I am saying is that I take issue with the statement that full training will be met with the requested FY 1990 budget for FLETC. How do you propose to fully meet the facilities requirements in FY 1990 so that students are not housed in local motels at Glynco; so that Marana can take additional students above current capacity; and Artesia can be up and running?

Secretary Brady: First, it should be emphasized that the Department and the Administration strongly support FLETC and the concept of consolidated training.

OMB allowed virtually all of our request, which will fund 100 percent of the direct costs of basic training.

We recently dedicated a new 228-bed dormitory at FLETC and the FY 1990 budget proposes to build another of the same capacity. This shows the Administration's commitment to address the overcrowding problem and provide additional housing.

The new Artesia facility is planned to be up and running by the end of this fiscal year.

As you know, future facilities development and capacity expansion at FLETC will be guided by the Master Plan, which we expect to receive shortly.

We will review this plan and its demand forecasts for incorporation into our future budget requests, as appropriate.

APPOINTMENTS

Senator DeConcini: Mr. Secretary, since taking office, I know your time has been pretty well constrained with the continuing controversy over the savings and loan crisis. However, here it is April, and a number of Assistant Secretary positions and Agency Heads under Treasury have not yet been named. I am wondering if you can give me any indication of when we can expect to see some appointments? I am particularly concerned about the Commissioner of Customs and the Assistant Secretary for Enforcement.

Secretary Brady: Of the Presidential appointments in the D.C. area:

12 have been confirmed by the U.S. Senate:

Secretary
Deputy Secretary
Under Secretary (International Affairs)
Under Secretary (Finance)
Assistant Secretary (Policy Management)
General Counsel
Assistant Secretary (Domestic Finance)
Assistant Secretary (Enforcement)
Assistant Secretary (International Affairs)
Assistant Secretary (Public Affairs and Public Liaison)
Comptroller of the Currency
Director of the U.S. Mint

2 have been nominated by President Bush and are pending confirmation before the U.S. Senate:

Assistant Secretary (Legislative Affairs)
Assistant Secretary (Tax Policy)

4 have been selected and a background investigation by the FBI is underway:

Assistant Secretary (Economic Policy)
Assistant Secretary (Management)
Treasurer of the United States
Commissioner of the IRS

2 are vacant for which we are actively interviewing:

Inspector General
Chief Counsel of the IRS

The remaining bureau heads (including Customs) are secretarial appointments and are currently filled by incumbents.

In the case of the departure of an incumbent, it is my intention for all senior appointments, to have candidates selected prior to the departure of incumbents, whenever possible.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

FY 1989 DEPARTMENTAL OFFICES TRANSFER

Senator Domenici: The Administration's fiscal year 1989 supplemental funding proposal contains a request to transfer up to $2,063,000 from the Treasury Departmental Offices "Salaries and Expenses" account to the "International Affairs" account. Would you please specify which activities within the International Affairs account are in need of additional funding, the amount of increase proposed for each activity, and where the offsetting savings would be taken within the "Salaries and Expenses" account.

Secretary Brady: Both the Salaries and Expenses (S&E) and International Affairs (IA) appropriations fund all of the costs directly associated with their respective missions and program activities. In addition, each contributes a pro-rata share of the costs of various support activities that cannot be reasonably assigned to either appropriation (such as space rental, administrative support, building maintenance, and computer support).

To address the $2.1 M reduction, we have scaled back the level of support activities from proposed levels and will defer overhead costs, where possible. For example, ADP upgrades and equipment purchases are being deferred and administrative travel and training is being reduced. Limiting the $2.1 M reduction to the IA appropriation will not allow these types of reductions to be fairly spread on a pro-rata basis across both contributing accounts. This poses technical bookkeeping and accounting problems which could be avoided if the supplemental transfer is approved.

In addition to reductions in the International Affairs activity, there are reductions to specific programs funded in the larger S&E account which I would be unable to use to address the $2.1 M reduction under current law. For example, the planned move into the Treasury annex could be partially delayed until FY 1990. Also, we may decide that we can defer the Departmental Offices' payment towards development of the Digital Telecommunications System.

IRS TRANSFERS

Senator Domenici: The Administration's fiscal year 1989 supplemental request proposes to transfer an additional $32,229,000 to IRS' "Processing Tax Returns" account and $41,754,000 to the "Investigation, Collection and Taxpayer Service" account from the "Examinations and Appeals" account.

The Appendix to President Reagan's fiscal year 1990 budget submission indicates that the IRS has already exercised its 4% general transfer authority to move funds between its accounts. The supplemental transfer requests partly reverse these transfer actions. Specifically, where the IRS reduced the appropriation for "Processing Tax Returns" account by $9,472,000, the Congress is now being asked to transfer $32,229,000 back into that account; where the IRS added $10,343,000 to the "Exams and Appeals" account, the Congress is now being asked to approve a transfer of $73,983,000 from that account. Where the IRS reduced the appropriation provided for "Investigation, Collection and Taxpayer Service" by $1,248,000, the Congress is being asked to restore $41,754,000 to that account.

With respect to the fiscal year 1989 supplemental proposal, I note that the requested IRS transfer amounts are within the 4 percent statutory transfer authority limitation. Would you please explain why the IRS is not using its general transfer authority to transfer these funds between its accounts; on what basis Treasury approves these IRS supplemental transfer requests; and what oversight Treasury provides over IRS' execution of its general transfer authority?

Secretary Brady: The reason for requesting a supplemental transfer, which requires more formal Congressional approval, is to address permanently programmatic shortfalls of serious concern to the Congress, namely timely and accurate processing of tax returns and adequacy of the Taxpayer Service Program. These transfers had initially been made in the FY 1988 budget, as presented with the FY 1989 request. The proposed supplemental appropriation transfers, having a "zero sum" effect, are requested simply to maintain FY 1988 resource levels for processing and service. This will ensure that other funds appropriated for improving service are used for that purpose within the appropriations they were requested. The proposed transfer will allow further latitude, if necessary, for requesting Committee approval of additional transfers under the four percent authority, depending on adjustments that may be needed for cost absorptions and for achieving a successful tax filing season.

The basis for Treasury approval of these transfers in past years has required presenting a reapportionment request to OMB for approval, taking into consideration the most recent information IRS is able to offer on changed resource requirements during filing season. Treasury acknowledges the inclusion of IRS in the more stringent Committee approval requirements, "Transfer of Funds Between Appropriation Accounts," Senate Report 100-387, page 4. We are communicating with staff of both the

Senate and House Appropriation Subcommittees about IRS appropriation adjustment requirements.

Currently Treasury reviews and approves all reapportionment requests submitted by IRS before they are forwarded to OMB. These requests most often involve inter-appropriation transfer issues. Treasury oversight, along with that of IRS national office staff, cannot currently track on a daily basis the resource allocation issues facing the seven regional and 63 district offices and the ten service centers. With the continued development of the IRS Automated Financial System (AFS), we intend to achieve a more timely and accurate portrayal of funding issues facing IRS as they are actually occurring.

Senator Domenici: In addition, what revenue loss has resulted from the IRS funding transfer reflected in the FY 1990 Reagan Budget Appendix? If none, why? What reduction in revenues would result from the requested fiscal year 1989 supplemental transfers? If none, why?

Secretary Brady: There is no revenue loss associated with the "non-supplemental" transfers indicated for FY 1989 in the FY 1990 President's Budget Appendix. These are inter-appropriation adjustments being made to accommodate the statutorily required absorption for the January 1989 pay raise. In order to minimize any adverse impact on agency operations of this absorption, IRS cut back spending for supplies, office equipment, alteration to office space and facilities, and telecommunications. The resulting adjustments among accounts occurred because reductions to funds for support type expenditures are different, to some extent, from the increased labor cost of the pay raise.

There is no current revenue loss associated with the proposed supplemental transfer of $74M out of the Examination and Appeals Appropriation. This is because the transfer originated in FY 1988 and was accounted for at that time. The transfer was reviewed and approved within the context of projected changes in overall receipt estimates, sensitive to the requirements of the November 1987 Bipartisan Budget Summit Agreement.

Senator Domenici: I also note that two IRS accounts are included in the list of domestic discretionary residual accounts proposed to be reduced by 1.009 percent across-the-board to offset fiscal year 1989 funding increases proposed by the President. Specifically, a $962,000 reduction in the IRS "Salaries and Expenses" appropriation and a $21,463,000 funding reduction in the "Examination and Appeals" appropriation are proposed. The

$21,463,000 reduction in the "Examination and Appeals" appropriation would be in addition to the $73,983,000 reduction proposed to be made in that account by transfer. Recent news articles have indicated that the IRS faces severe funding difficulties in fiscal year 1989. What would be the impact on the IRS of this proposed $21,463,000 fiscal year 1989 funding reduction? What would be the impact of this funding reduction on revenues?

Secretary Brady: The revenue effect of the proposed $21.5M reduction for the Examination and Appeals (E&A) account is uncertain, depending in part on whether the proposal is viewed in isolation from numerous other adjustments affecting the account as the 1989 budget is executed. For example, full funding was not appropriated for the 4.1 percent January 1989 pay raise. The IRS staffing level is not dropping to target as quickly as expected because attrition has slowed, in part a response to recent hiring restrictions within the bureau. IRS has also undertaken several programmatic adjustments throughout the year in support of judicious tax administration.

These adjustments have required absorptions in all IRS appropriations, including the E&A account. Some could be expected to have a positive impact on revenue receipts while others may reduce receipts. If the impact of the proposed $20.5 million reduction in the E&A account were viewed in isolation from these other adjustments, Treasury would acknowledge a revenue impact of up to $68 million. This would be misleading, however, in terms of overall enforcement receipts.

Within the context of mid-course corrections that must be constantly performed for any large organization each year, the IRS and Treasury Department continue to explore any remaining reprogramming options that would alleviate the pressure on the E&A appropriation. This is not to suggest that IRS is not experiencing a tight year, as indicated in recent testimony. However, by continually evaluating discretionary expenditure decisions, we are reviewing options on how to address current absorption requirements without further impacts on revenue yield.

Therefore, when we look at the picture more broadly than the impact of this specific reduction proposal currently before the Congress, we believe the overall enforcement revenue variance from the estimate implicit in the President's Budget would be minimal.

Senator Domenici: I am concerned that while this Subcommittee has provided general authority for the IRS to transfer up to 4% of any appropriation provided to it for fiscal year 1989 to any other IRS account, we do not know the extent to which funds are being moved between the IRS accounts within the overall limitation allowed.

Would you please provide for the record for each of fiscal years 1988 and 1989, a table showing each time the IRS used its general transfer authority in the applicable appropriations act to transfer funds between its accounts, the amounts of each of those transfers, and the general reason for the transfers. Also, please indicate the cumulative effect of the transfers made in each year on the funds appropriated to the IRS for its automated data processing and tax modernization requirements, and on the revenue yield initially projected from ongoing and enhanced IRS enforcement activities.

Secretary Brady: The following table and summary narrative traces the adjustments that occurred among the four IRS operating accounts during FY 1988. With the exception of the initial FY 1988 revenue accounting adjustment that was implicit in the FY 1989 President's Budget, none of the transfers were indicated to have a specific negative revenue effect.

Internal Revenue Service
FY 1988 Budget Execution
Explanation of Inter-Appropriation Transfers by Reapportionment
Net Transfers (+ or - dollars in millions)

Description	Salaries and Expenses	Process Tax Returns	Examination and Appeals	Investig. Collec. & Taxpayer Service	Total
Summary Section:					
Budget Authority Realized (PL 100-202)	87.2	1,691.1	1,849.6	1,431.0	5,058.9
OMB Passback Net Transfers, Displayed in FY 1989 President's Budget, and Officially Reapportioned on SF 132, 3-24-88	0.0	32.2	(74.0)	41.8	0.0
Change in Net Transfers Officially Reapportioned on SF 132, 9-27-88	1.8	(26.3)	21.2	(6.9)	(10.2)
Final Net Transfers	1.8	5.9	(52.8)	34.9	(10.2)
Revised Authority	89.0	1,697.0	1,796.8	1,465.9	5,048.7
Reimbursements	2.9	15.7	4.8	6.3	29.7
Total Resources	91.9	1,712.7	1,801.6	1,472.2	5,078.4
Detail of Change in Net Transfers:					
Staffing Compensation:	4.9	25.6	24.3	37.1	91.9

During the three financial reviews, resources were directed to meet additional program needs primarily in Taxpayer Service ($27.9M), the Service Centers ($9.6M), Document Matching ($4.0M), Currency

Transaction Report Processing ($3.2M), Tax Fraud Investigations ($6.9M), staffing for the Forms Distribution Centers and field administrative support ($20.7M), Salaries and Expenses Appropriation staffing in the National Office and at the Detroit Data Center ($4.9M), staffing underruns in Employee Plans and Exempt Organizations (-$2.4M). Another $17.1M was needed to cover salary deficits in contractually required cash awards, shift differential pay, higher journeyman levels, and special salary rates.

The FY 1988 column of the FY 1989 Budget reflected the redirection of $68M ($64M from Examination and $4M from Collection) in order to provide additional funds to the Service Centers. However, during formulation of the Service's operating financial plans, the IRS implemented a balanced reduction to all of its enforcement programs: Examination, Employee Plans, Appeals, Counsel, Document Matching, and Collection. As a result, funds were restored to the Examination and Appeals Appropriation.

Description	Salaries and Expenses	Process Tax Returns	Examination and Appeals	Investig. Collec. & Taxpayer Service	Total
Detail (Cont'd.)					
Personnel Benefits:	0.0	(2.0)	20.0	22.9	40.9

The Service reallocated its personnel benefits resources between appropriations to correspond to estimated salary realizations. During the financial reviews, $40.9 million was redirected to cover benefit projections that included a retirement benefits deficit ($14.5M) that resulted from the transfer of retirement funds to cover other program needs; higher premium rates for health benefit insurance ($9.4M); and benefits corresponding to the increased staffing levels ($17.0M).

ADP Advance Purchase:	0.0	(24.0)	(20.0)	(2.0)	(46.0)

The FY 1988 column of the President's FY 1989 Budget reflected the redirection of $46M in retirement benefits to the advance purchase of ADP equipment and supplies. During the financial reviews, additional benefit costs related to retirement, higher health insurance premiums and benefits required to support increases in Taxpayer Service, the Service Centers, Enforcement, and the Forms Distribution Centers caused the Service to redirect funds away from the ADP advance purchase effort.

Other Transfers:	(2.6)	(16.2)	(3.1)	(64.9)	(86.8)

In order to fund these transfers, as well as the FMS postage bill and the transfer of funds to no-year (see below), ADP reductions were made to Real Time Input System (-$8.0M), ACS/ICS (-$6.0M), AES (-$7.0M), and other miscellaneous ADP (-$8.4), communications reductions were made to Integrated Telecommunications Network (-$40.9M, incl. CDN, ACD, PBX and DTS) and to other base telecommunications costs (-$14.8 for toll free telephone service, +$17.8M for FTS, -$12.5 for other communications services). Miscellaneous other upward and downward adjustments were also made, netting to -$7.0M. These included decreases in furniture, office supplies, space and housing, and benefits to former employees, and increases in training, travel, moving expenses, printing, and postage.

No Year Request:	(0.5)	(9.7)			(10.2)

The Service requests that $0.5M be transferred from the Salaries and Expenses Appropriation into the Research and Development No-Year Account in order to conduct a customer needs survey. Additionally, the Service requests that $9.7M in ADP funds be transferred into the ADP No-Year account for continued development and implementation of the Automated Examination System ($4.4M), Integrated Collection System ($1.7M), Distributed Input System ($1.6M), Automated Taxpayer Service System ($0.7M), Automation of Criminal Investigation ($0.7M), Artificial Intelligence ($0.2M), and other automation efforts ($0.4M).

For FY 1989, IRS is currently consulting with both the Senate and House Appropriations Subcommittee staffs on the net transfers among

the four operating appropriations that will be needed to support a number of operating issues. A revised financial plan, which should closely approximate final resource requirements in each IRS program, will be provided to the Subcommittees as soon as technical details are completed. To the extent that the plan requires inter-appropriation transfers, Treasury and IRS will work with the Subcommittees to achieve these adjustments using whatever authorities are deemed appropriate by the Subcommittees.

DOMESTIC DISCRETIONARY FUNDING

Senator Domenici: A number of Treasury appropriations accounts are included in the domestic discretionary residual funding category of the Administration's fiscal year 1989 supplemental appropriations's package to which a 1.099 percent across-the-board cut is proposed to be applied to offset proposed funding increases. What would be the impact of these proposed funding reductions on each of the Treasury bureaus?

Secretary Brady: In order to offset the increased outlays resulting from the fiscal year 1989 supplementals, the President has proposed a 1.099 percent across-the-board reduction to most domestic discretionary residual accounts. Exempted from the cuts are the Bush priority programs, e.g. the War on Drugs, and programs previously proposed for supplemental increases. This exempts a total of $4 billion from the cut, primarily in Customs' drug programs and two of the IRS accounts.

Most Treasury bureaus are affected by the proposed reduction:

-- IRS (-$21.4 million); Customs (-$8.2 million); ATF (-$2.6 million); FLETC (-$0.6 million); Secret Service (-$3.9 million); Mint (-$0.5 million); and Public Debt (-$ 2.4 million).

The reductions would be achieved by freezing or slowing down the rate at which vacancies are filled; postponing equipment replacements; and limiting travel and training costs.

IRS FREEZE IMPACT ON REVENUES

Senator Domenici: President Reagan's fiscal year 1990 budget proposes a total increase of $289 million in IRS funding over the total $5.2 billion appropriations level for the IRS in fiscal year 1989. Of the $289 million requested, $54 million is for an enhanced revenue enforcement initiative which would result in a $318 million increase in revenues in fiscal year 1990 and $2.3 billion in higher revenues over the next five years.

The Bush budget shows a similar increase in revenues due to an IRS initiative. However, OMB Director Darman has indicated that, except for a $56 million drug enforcement initiative, all IRS funding is in the nondefense, discretionary residual freeze category. What would be the impact on revenues of freezing IRS spending in fiscal year 1990 at the fiscal year 1989 outlay level?

Secretary Brady: Initiatives for generating $0.5B in additional revenue specified in the Bipartisan Budget Agreement would not be funded. For this reason, the revenue initiatives were a top priority of the Administration during budget negotiations.

Another $59.1M in the budget request for mandatory cost increases (net after proposed reductions) would have to be accommodated by decreases in various IRS programs totalling 1,700 positions. Every attempt would be made to minimize revenue loss. IRS is doing preliminary analysis of potential revenue implications. However, adverse impact on enforcement and other programs would occur under a freeze budget.

IRS DRUG INITIATIVE

Senator Domenici: The only explicit priority for IRS in President Bush's fiscal year 1990 budget submission is $56 million for a drug initiative. Was this $56 million IRS drug initiative included in the $289 million funding increase requested in the Reagan budget?

What are the specifics of this $56 million drug initiative? Are there any revenue impacts associated with enactment of this IRS drug initiative? If so, what is the estimated revenue impact in fiscal year 1990?

Secretary Brady: The $56M in resources associated with drug enforcement is not part of the requested $289M increase for FY 1990. Its separate identity springs from its exclusion from the flexible freeze in President Bush's "Building a Better America." Approximately the same funding level exists in the FY 1989 budget, along with the $14.4M in OCDETF funds being transferred to the Department of Justice in FY 1990. The money laundering investigations and currency transaction report processing that are supported by this $56M are not identified as having a direct enforcement revenue effect. However, they do contribute to the ability of the Examination and Collections programs to produce revenue.

CUSTOMS SERVICE TITLE 21 JURISDICTION

Senator Domenici: On November 23, 1988, The Department of Justice issued a legal opinion addressing the authority of the United States Customs Service to seize and forfeit property or assets under Section 881 of Title 21 of the United States code.

The Customs Service has been working under a cross--designation agreement which promotes cooperation and coordination between narcotics enforcement activities of the DEA and the Customs Service. Would you please describe how the new Justice Department legal opinion changes the current cross-designation agreement (implementing memorandum of March 2, 1984, as amended on February 19, 1985) between Customs and the DEA?

Secretary Brady: On November 23, 1988 an opinion was rendered by the Office of Legal Counsel (OLC) which concluded that the Customs Service had no independent Title 21 forfeiture authority, that Customs agents could only seize and forfeit property pursuant to Section 881 when they assist the Drug Enforcement Administration under designation by the Attorney General. On February 9, 1989, the Acting Associate Attorney General and the Assistant Secretary of the Treasury signed a joint memorandum concerning Customs independent authority to seize and forfeit property under the provisions of Title 21 USC 881. This memorandum advised the United States Attorneys that, based on the Office of Legal Counsel's opinion, Customs does not have independent authority to seize and forfeit property pursuant to 21 USC 881. In keeping with the OLC opinion, this memorandum also stressed the need for Customs Special Agents to be cross-designated with Title 21 investigative authority. Customs is currently working with DEA to properly cross-designate the appropriate Customs Agents. The Customs Service continues to disagree with the OLC's opinion but has entered into this agreement under the premise that the Customs asset sharing program is not adversely affected and the ability of Customs investigators to aggressively investigate and prosecute drug smugglers and money launderers is not diminished.

Senator Domenici: Would you please provide for the record a copy of any new Memorandum of Understanding between Justice and Treasury implementing the November 1988 Department of Justice legal opinion.

Secretary Brady: Yes.

Senator Domenici: Would you please tell us specifically what impact the November 23, 1988, Department of Justice legal opinion will have both on the Customs Service asset sharing program and on the Customs Assets Forfeiture Fund.

Secretary Brady: The effect is at this time unknown. Prior to the issuance of the OLC opinion and the joint memorandum of February 9. 1989, the Customs Service routinely made seizures of currency, conveyances, and other property pursuant to Title 21 United States Code, Section 881, as well as other statutes enforced by Customs. In some instances Section 881 was the only statute utilized to effect the seizure and forfeiture. It is the loss of these types of seizures and forfeitures that could adversely affect the Customs Asset Sharing Program and reimbursement to state and local agencies through the Customs Forfeiture Fund.

In signing the MOA of February 9, 1989, the Customs Service made it clear that we had no objection to the agreement based on the understanding that the Customs Forfeiture Fund and the Asset Sharing Program with state and local agencies would not be markedly affected. We further expect to maintain our current ability to expeditiously process and share those assets or proceeds which we have seized. As a result of the MOA, Customs will be meeting with the personnel of the Department of Justice Forfeiture Fund in order to establish procedures which will enable both agencies to comply with the OLC opinion and preserve the current operational functions and capabilities of both forfeiture funds.

IRS CONSOLIDATION

Senator Domenici: What is the status of your effort to consolidate the IRS at a new location in the Washington, D.C., metropolitan area?

Secretary Brady: Treasury and GSA have agreed that IRS consolidation is needed, and a draft prospectus has been prepared for GSA consideration.

Senator Domenici: We understand from the GSA that it is waiting for the Treasury Department to resolve the projected IRS employment levels; these data are necessary to determine the scope of the project.

In addition, GSA is holding up on advertising for IRS' additional 177,000 square foot space requirement, for which a prospectus approval has already been given, until it receives some direction on the consolidation project.

When do you expect to give the data on the IRS's projected employment levels to the GSA?

Secretary Brady: The information has been provided and incorporated into the draft prospectus currently with GSA.

TREASURY PAYROLL/PERSONNEL SYSTEM

Senator Domenici: The Department is working to resolve its continuing payroll/personnel problems through cross-servicing of its payroll/personnel system by the National Finance Center of the Department of Agriculture.

What is the schedule for conversion of all Treasury agencies to this integrated, single Treasury-wide payroll/personnel system? What is the cost of these conversions?

Secretary Brady: One Treasury bureau, the Savings Bonds Division, was converted to the USDA National Finance Center system in November 1988. Plans are on track to convert the Bureau of Alcohol, Tobacco, and Firearms and the Departmental Offices to the USDA system this calendar year. Our plans call for completing the conversion effort in three years, by the middle of FY 1992.

Conversion costs are expected to be approximately $2 million in FY 1989. We are currently assessing out-year conversion costs which will consist primarily of costs related to unique bureau programing requirements; the installation and upgrade of telecommunications; and the purchase and modification of equipment.

TREASURY OFFICE OF INSPECTOR GENERAL (IG)

Senator Domenici: The Inspector General Act Amendments of 1988 requires the establishment of a new statutory Treasury Department Office of Inspector General, effective April 16, 1989.

Has Treasury complied with the April 16, 1989 requirement of law that it establish a statutory Office of Inspector General? How is this office being funded in fiscal year 1989? What level of funding is each Treasury bureau being asked to provide to the new Office of Inspector General for the balance of fiscal year 1989?

Secretary Brady: Yes, the Department has complied with the Inspector General Act Amendments of 1988. On April 16, 1989 a statutory Office of Inspector General was established in the Treasury Department. Funding for this office was provided through negotiated transfers of Budget Authority from each contributing bureau. The following lists the contributions of each affected bureau within the Treasury Department:

FY 1989

Departmental Offices	$2,923,558
Secret Service	71,760
Customs	2,500,000
Alcohol, Tobacco & Firearms	416,300
Internal Revenue Service	140,000
Total	$6,051,618

Senator Domenici: The fiscal year 1990 Reagan budget request proposes to transfer Treasury bureau resources previously associated with internal audit functions to the new Office of Inspector General. I understand that a Memorandum of Understanding prepared by the IG would require the Customs Service to provide space and services without reimbursement on top of the resources proposed to be transferred from Customs to the new Office of Inspector General for fiscal year 1990.

What is the status of this Memorandum of Understanding and what is the basis for requiring the Customs Service to provide support for the IG over and above the resources reflected in the fiscal year 1990 budget request?

Secretary Brady: During the development of the FY 1990 budget for the Office of Inspector General (OIG), the Customs Service and other contributing bureaus were asked to provide information regarding the funding for support of their internal audit staff. Unlike the other Bureaus, the funding information provided by Customs did not include costs for space. As a result, the FY 1990 budget does not include space costs for the 91 FTE transferred from Customs.

A Memorandum of Understanding between the Customs Service and the OIG, addressing space needs for these employees for FY 1990, is not yet signed.

Senator Domenici: Are other Treasury bureaus being asked to provide additional resources to the Office of Inspector General over and above what is reflected in the fiscal year 1990 budget request through similar agreements? If so, what funding agreements have been proposed?

Secretary Brady: No other similar agreements relating to funding for space are needed. The Customs Service is the only organization which did not include the space costs relating to support of their internal audit staff.

Senator Domenici: What are the budgetary requirements of the Office of Inspector General which are not included in the fiscal year 1990 request for that office?

Secretary Brady: At this point, except for the Customs space cost issue previously discussed, we believe the FY 1990 budget fully addresses the funding requirements of the OIG. We will, of course be monitoring actual obligations of this new organization to determine if funding adjustments are needed. If necessary, we will coordinate such adjustments with the Committee.

OFFICE OF FOREIGN ASSETS CONTROL

Senator Domenici: It has come to my attention that the Office of Foreign Assets Control of the U.S. Department of Treasury has a rather substantial task. This office implements and administers the economic sanctions programs of the United States government. The office is required to prepare necessary executive orders, to conduct negotiations with foreign governments, to issue regulations, to monitor the holding of blocked assets, to conduct appropriate licensing, and to coordinate criminal enforcement matters and conduct investigations of foreign asset control violations as necessary.

I understand that at one time, this office had field offices, but that it is now operating with a rather limited staff and no travel funds. Details on the number of FTE positions and level of funding allocated for this office in the current fiscal year and proposed for fiscal year 1990 cannot be found in the Treasury budget submission to this committee.

What is the level of funding and number of staffing positions currently allocated for this office? What is included in the fiscal year 1990 budget request?

Secretary Brady: The Office of Foreign Assets Control is operating at a level of 18 FTE and approximately $900,000 in both FY 1989 and FY 1990.

Senator Domenici: Do you believe this office has sufficient resources to carry out its mandate? If yes, why? If no, what additional funding and staff would you consider to be appropriate for the office?

Secretary Brady: The Office of Foreign Assets Control (FAC) is currently operating at adequate staffing and resource levels. It is doing an outstanding job of enforcing the sanctions and embargo programs that it administers.

In addition to existing permanent staff, we have arranged for three temporary employees to assist FAC with key responsibilities and are also supplementing staff with four detailees from the Customs Service. Moreover, FAC works closely with other Federal law enforcement agencies including Customs and the FBI. Many of its enforcement responsibilities are performed by these agencies.

LAW ENFORCEMENT

Senator Domenici: You indicate your support for the National Advisory Commission on Law Enforcement. What recommendations is Treasury making to the Commission to address recruitment, retention, and compensation problems faced by the Treasury Department's law enforcement bureaus?

Secretary Brady: The Department of the Treasury is actively supporting the National Advisory Commission on Law Enforcement. In addition to myself, the Assistant Secretaries for Enforcement and Management have been designated to serve as members of the Commission. For this fiscal year, the Department has made available to the Commssion $100,000.

Currently, the Commission is proceeding to collect quantitative data for analysis relating to compensation and staffing problems involving law enforcement personnel.

Treasury has a keen interest in the work of this Commission and will provide comments since its decisions will affect the Department's law enforcement personnel.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

MARTINSBURG AND PARKERSBURG, WEST VIRGINIA FACILITIES

Senator Byrd: Mr. Secretary, on March 8, 1989, I posed questions to the Commissioner of the Bureau of the Public Debt, Richard L. Gregg, regarding the increase of staffing levels and early lease renewal at the Parkersburg, West Virginia Bureau of Public Debt facility; and on March 10, I posed questions to the Acting Commissioner of the Internal Revenue Service, Michael J. Murphy, regarding new construction plans or developments, and any factors that may impact on the personnel or programs at the Martinsburg, West Virginia IRS computer center. These are priority matters and I would be appreciative if you would look into these issues and keep me fully informed regarding changes, developments, or any possible expansion of these two very valuable Treasury Department facilities in West Virginia. May I have your assurances on that?

Secretary Brady: Yes, Senator, we would be pleased to keep you apprised of our plans for these facilities.

EXPANSION OF PARKERSBURG FACILITY AND COMPARATIVE STUDY

Senator Byrd: The report accompanying the FY 1989 Treasury-Postal Service Appropriations bill included the following passage, incorporated at my request:

> Parkersburg, WV facility
>
> The Parkersburg, WV facility directs the U. S. savings bond program and manages the Bureau of Public Debt's computer operations. For the past several years, the Committee has been urging the Department of the Treasury to review the relationship between the Bureau of Public Debt's work at its facilities in Parkersburg, WV and Washington, DC with a view to moving some of the Washington-based functions to Parkersburg in order to make maximum use of existing space and staff at the Parkersburg facility. In response to this concern, the Department of the Treasury has reported that, within the last 2 years, responsibility for encoding millions of documents related to securities transactions was transferred from Washington to the Parkersburg facility. In addition, the sales, reissue, and redemption functions for savings bonds were transferred from Washington to Parkersburg; and in June 1987, responsibility for savings bond forms and redemption tables was moved from Washington to Parkersburg. In the areas of administrative and data processing support, the Bureau moved its procurement functions from Washington to Parkersburg in October 1987. Also during 1987 additional positions and functions were assigned to Parkersburg to support the Bureau's data processing program.
>
> According to the Department of the Treasury report, an ever increasing share of the Bureau's total work force is located at Parkersburg. At the close of fiscal year 1984, the Bureau's Washington operations employed 1,229 people, while Parkersburg employed 1,020 or 45 percent of the total work force. At the end of fiscal year 1987, Washington operations employed 930 people and Parkersburg employed 1,062, or 53 percent of the Bureau work force, a reversal of the previous relationship. The Committee is encouraged by these developments and urges the Bureau of the Public Debt and the Department of the Treasury to continue to actively evaluate opportunities and work force shifts to the Parkersburg facility in order to make maximum use of existing space and staff at that facility.

I am appreciative of the Department's support to locate an ever increasing share of the Bureau of Public Debt's workforce at the Parkersburg Bureau of Public Debt facility. What more can be done to accelerate this process?

I would also be appreciative if the Department would provide for the record a brief comparative study on the cost of operating the Parkersburg Bureau of Public Debt versus conducting these activities in Washington, D.C., including a comparison of housing costs and quality of life.

News reports often cite the cost of living in Washington, D.C. as one of the highest in the Nation, and thus, the average Federal government worker must spend a large percentage of his income on housing costs. In addition, Washington, D.C. has been encountering severe public safety problems.

In contrast, West Virginia, as a nearby state to the Washington Metropolitan Area, offers a possible solution to these problems. There are many cities in West Virginia which have surplus office space, and are on the main east-west highway connection to Washington, D.C. The airports are underutilized and good direct rail exists from Charleston and Huntington to the Washington/Baltimore area.

In view of these positive attributes, I would expect that a comparative study would show significant advantages for conducting Treasury Department operations in West Virginia.

Secretary Brady: The Bureau of the Public Debt has found the Parkersburg facility to be very satisfactory and over the years increased its work force in that location.

The Bureau has a long-standing practice of seeking ways to make its operations more efficient, including moving work to the locations where it can best be performed. Over the years, this approach has resulted in the placement of Bureau functions at a variety of locations including Federal Reserve Banks and Parkersburg. As a result of this policy, Bureau employment at Parkersburg today is about 6 percent greater than it was in FY 1987. The 1990 budget includes an increase of 22 FTE for the Savings Bond Operations Office.

The major components of the cost of administering the public debt are labor, equipment, and space. Since the work to be done would not change, the kinds of positions - and their salaries - needed to perform it would not change with geographic location. Similarly, the cost of equipment stays the same from one location to another. Finally, the cost for space in Washington and Parkersburg is comparable because the Bureau occupies Government-owned space in Washington. It is apparent that any differences in the cost of performing the same functions in Parkersburg or Washington are very small. Further, our experience with the more recent shifts of work to Parkersburg shows that

increased travel for both Bureau and Federal Reserve personnel resulted, with an associated increase in travel cost and lost productive time.

I am confident that the Bureau's policy of continuously seeking opportunities for making its operations more efficient, together with its sound decision criteria, will result in the placement of work at the locations where it can best be performed.

I'll keep in touch to make sure you are informed of any developments affecting the Parkersburg operations.

QUESTIONS SUBMITTED BY SENATOR ALFONSE M. D'AMATO

FEDERAL BUDGET

Senator D'Amato: Please indicate how the Administration's FY 1990 Budget request for each anti-drug agency and account in the Department of the Treasury compares to the amount appropriated for that agency and account in FY 1989.

Secretary Brady: Treasury will continue to be an important player in the War on Drugs. Of the $498 million that the Treasury Department will spend on this effort in FY 1990:

- The Customs Service will devote $442 million to drug interdiction and financial investigations to disrupt smuggling organizations, and
- The Internal Revenue Service will devote $56 million to financial investigations to disrupt smuggling organizations.

In addition, Treasury will continue to actively participate in the multi-agency Organized Crime Drug Enforcement Task Force. Justice will provide Treasury $38 million to fund this effort in FY 1990.

	FY 1988	FY 1989	FY 1990
Customs	$425.8	$444.0	$441.5
IRS	63.9	68.3	55.6
ATF	8.2	8.8	1.2
Grant to Puerto Rico	7.8	0.0	0.0
Total	$505.7	$521.1	$498.3

Significant Increases over FY 1989

Customs: $28.0M for cargo exams; $3.0M for money laundering; and $5.0M for the Treasury Enforcement Communications System

Significant Decreases from FY 1989

Customs: $15.5M -- Nonrecurring costs of drug bill; $10.4M -- E2C transfer to Coast Guard; $2.1M -- Drug-related portion of IG transfer; and $14.5M -- OCDETF transfer to Justice
IRS: $14.4M -- OCDETF transfer to Justice
ATF: $8.6M -- OCDETF transfer to Justice

Money Laundering Baseline (FY 1989)

- Customs -- $62.9M (includes $14.5 for OCDETF, which will be appropriated to the Department of Justice beginning in FY 1990).
- IRS -- $23.0M

FUNDING THE 1988 DRUG BILL

Senator D'Amato: On January 27, 1989, Senators DeConcini, Domenici and I wrote to OMB Director Darman in reference to funding the Anti-Drug Abuse Act of 1988. In that letter we outlined a number of revenue collection initiatives. Two initiatives would require the hiring of additional Bureau of Alcohol, Tobacco, and Firearms agents and I.R.S. agents.

We requested an update of the estimates of gross and net revenue from last year's estimates. We further requested an estimate of the potential monies generated by these revenue enhancement initiatives in fiscal years 1989 through 1992.

Do you believe that these revenue collection initiatives are an effective way to generate additional funds in a time of fiscal restraint? Would you support this initiative?

Secretary Brady: As you know Senator, the Treasury Department has in the past proposed the use of IRS enforcement initiatives as a mechanism to generate additional revenue. The Presidents's Budget recommends an enforcement initiative of $55 million which is anticipated to yield additional revenue of $318 million in FY 1990. The Bipartisan Budget agreement requires additional enhancement of enforcement programs to increase this yield to $500 million for FY 1990.

The Treasury Department continues to support the judicious utilization of enforcement initiatives to provide additional revenue. Any enhancements to enforcement programs, however, must be done within the context of past and proposed initiatives and the capacity of IRS to efficiently absorb additional resources and implement new programs.

Senator D'Amato: It Appears that 5 Customs Priority Projects needed to complete the Drug Air Interdiction Strategy are still not funded. What is the status of these 5 projects:

1)	1 - P-3 Airborne Early Warning (AEW) radar plane (#3)	$ 30.5M*
2)	10 - Citation Interceptor/Tracker Planes..............................	65.0M
3)	149 - Personnel (to raise level from 811 to 960).........................	5.0M
4)	1 - P-3 AEW (#4).....................	30.5M
5)	1 - Aerostat (originally scheduled for Bahamas; may be rescheduled for Southwest Border)...................	23.0M*
		$154.0M

* The $30.5 million procurement cost for each P-3 AEW's assumes concurrent modification and delivery. If AEW's #3 and #4 are separate procurement, an average increase of $5M per AEW can be expected.

Senator D'Amato: Can you comment on the impact of this $154 million shortfall in the Customs Air Interdiction Program budget?

Secretary Brady: The six southwest border aerostats are funded in our request. However, most of the other items indicated are not recommended in the Drug Air Interdiction Strategy prepared by the National Drug Policy Board. The Board's strategy specified one P3, not four; four additional Citations not ten; and a much lower level of other equipment than you mentioned in a previous question. Further, the Board's plan was to be implemented by FY 1992, not FY 1990. We believe the Anti-Drug Abuse Act mandates a new strategic review of our drug efforts. Additional funding should be based upon the results of this effort.

SUBCOMMITTEE RECESS

Senator DeConcini. Thank you all very much. The subcommittee will stand in recess until 10 a.m., Thursday, May 4, when we will hear from the Office of Management and Budget.

[Whereupon, at 12:30 p.m., Tuesday, May 2, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 4.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

THURSDAY, MAY 4, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:15 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senator DeConcini.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

STATEMENT OF RICHARD DARMAN, DIRECTOR

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service, and General Government will come to order.

Today, we will continue our fiscal year 1990 budget hearings by taking testimony from Mr. Richard Darman, Director of the Office of Management and Budget, regarding the fiscal year 1990 budget for OMB.

Senator Domenici, our ranking member, is on the floor with the budget resolution. He may come a little bit later if he is able to.

Mr. Director, we are pleased to have you here this morning. I know you have had a very hectic schedule over the past couple of months. I appreciate your making time to come today.

This is important to us, of course, because it is our responsibility to appropriate money and oversee your programs, and we feel an obligation to sit down with you and listen to your proposals and ask you some questions about them.

When Mr. Abdnor was chairman, your predecessor, Mr. Miller, and I had a good rapport and a good arrangement. I would like that rapport to continue, as I have offered in our private discussions with you. We had differences with Mr. Miller. We sat down and argued with him and the Justice Department on various drug testing rules and things that were within the jurisdiction of this committee, but we were always available to each other. We were just a phone call away. I make the same offer to you, and I assure you that we will always be prepared to talk to you and your staff on issues that we might have.

Before we begin, I would like to say that I look forward to a good working relationship with OMB. Its professional staff, we often have disagreements with and cannot understand how they come to some of their conclusions. But I am sure that feeling is mutual on both sides. So we will continue that.

Without further delay, Mr. Director, you may proceed to summarize your statement. Any full statement you have will appear in the record.

Mr. DARMAN. Thank you very much, Mr. Chairman. I would request that my prepared statement be included in the record, but I would happily offer to spare you it. It is rather boring.

Senator DECONCINI. I will take it home tonight and read it. [Laughter.]

Mr. DARMAN. I would like to thank you, also, if I could, for rescheduling this hearing. I know your own very busy schedule, and I appreciate that you understood that I was tied up in the negotiations of the budget resolutions and had to ask to reschedule. I appreciate very much your willingness to do that.

I thank you also for the offer not only to be merely a phone call away, but to continue and perhaps even improve upon a good working relationship. We certainly would very much like to do that, and I would fully expect that we could and should.

If I could just summarize, Mr. Chairman, I believe you know, but I should state, from OMB's parochial perspective, we are seeking roughly $43 million in fiscal year 1990 for OMB, and an additional $84 million, roughly, for investment in management improvements, so-called.

I know you know that the workload of OMB has gone up very significantly in the 1980's, partly because of burdens placed on OMB by the executive branch, partly by statutory burdens—all of them, I think, worthy. The full-time equivalent employment, however, has gone down by about 10 percent since the start of the 1980's. Our budget in real terms has also gone down about 10 percent since the start of the 1980's.

In the same period, of course, the Congressional Budget Office and the GAO have grown enormously, reflecting the legitimate additional claims that are made upon all of us for data analysis, oversight, responsiveness to the Congress, and so on.

OMB is, as you know and have alluded to, principally a career agency. It is overwhelmingly staffed by career professionals. I think they are some of the finest professionals in the Government. I have had an opportunity, as you know, to serve in six different Cabinet departments and familiarize myself with a lot of career people. I think the OMB people are among the very best in the Government.

They are seriously overworked. They do not complain. They try at all times to be responsive. They work 6.5 days per week or more. They are here, as you know, until midnight, many a night. I have yet to hear a single complaint from anyone, anywhere in OMB, about this. No one has asked that I ever say a word on the subject.

They suffer people like me, who come and go. We come in, each new one of us, and suddenly make a whole bunch of new demands.

They respond. It is really an heroic performance, a real testament to the career service at its best. I would have thought that they were being loaded to the breaking point or somewhere near that—but no one in OMB, among the career people, has suggested that. But it seems to me, as a matter of prudence, if we want to keep this fine organization performing in the way that people have come to expect it to perform, we have got to provide it more resources.

I think probably a very good case can be made for substantially more resources than we have asked for. I do not wish to make that case. The reason I do not want to ask for more resources than we have already asked for is related to the larger budgetary problem that we have, not that the OMB account will make a big difference, but the symbolism of it would present a problem if I were here asking for a substantial increase in the same context as we are asking other agencies not to have substantial increases.

So I do not ask for what I think the agency, in fact, fully deserves, merits, maybe even requires. Indeed, I would propose, if you would wish, to discuss a reduction, a substantial reduction in our request. Not the request with respect to the $43 million for OMB, but the $84 million for investment in management improvement.

This has been incorporated by us, essentially, in the way that we have incorporated many of the Reagan budget proposals. My own personal view is that many of the management ideas recommended with respect to that $84 million have merit, but I have a question about the approach to budgeting and managing a fund of that kind. I would be happy to discuss that if you and other members of the committee are interested.

We do wish to improve management at OMB and through the Government. I would be happy to talk to that point, but I am not certain that this particular mechanism for funding is the best way to get at it.

PREPARED STATEMENT

That said, Mr. Chairman, I would stop at this point and repeat how very much we look forward to working with the committee and to responding to your questions.

[The statement follows:]

STATEMENT OF RICHARD DARMAN

Mr. Chairman, Senator Domenici and Distinguished Members of the Subcommittee: It is a pleasure to present the fiscal year 1990 Budget request of the Office of Management and Budget. The President's request proposes $42,435,000 for OMB and $83,950,000 for "Investments in Management Improvements" to be managed by OMB—a total of $126,385,000.

As you know, OMB's functions include managing the preparation of the Budget of the United States; advising the President on national budget and economic policies; supervising the administration of the budget; seeking governmental efficiency and effectiveness through improved performance evaluation and management; clearing departmental recommendations concerning both proposed legislation and Presidential action on bills passed by the Congress; processing and clearing Executive Orders; contributing to the direction of procurement policy; and reviewing initiatives on information, paperwork and regulatory policies.

The 1970 reorganization of the Bureau of the Budget into the Office of Management and Budget was designed to put the "management" functions of OMB on a par with its "budgetary" functions. However, the Budget Impoundment and Control Act of 1974 and the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings) have enormously increased the amount of time that

OMB has to spend on annual budget review. These needs have of necessity diverted the attention of successive directors of OMB and their staffs to the now continuous annual budget review. Further, while this workload has increased, OMB's full-time equivalent (FTE) staff has decreased from 596 in fiscal year 1981 to 530 in fiscal year 1989. Because of the increased budget workload, OMB's management staff has declined at an even greater rate from 79 in fiscal year 1981 to 46 in fiscal year 1989.

It should be noted that OMB's workload has increased steadily since fiscal year 1981. In addition to the new budget requirements, OMB has taken on the management initiatives contained in Reform 88 and preparation and printing of the Management Report. The Omnibus Trade Bill, enacted last year, requires 126 reports to Congress which OMB now must review. New requirements for the Office of Information and Regulatory Analysis (OIRA) were mandated in 1986, 1987 and 1988 concerning Paperwork Reduction, Freedom of Information requests, computer security and computer matching. In spite of these statutory demands, OMB's full-time equivalent staff is ten percent smaller than it was in fiscal year 1981, and the proposed fiscal year 1990 budget is, in real terms, ten percent lower.

The result is OMB's staff resources are stretched to, or beyond, the limit in a variety of budget areas. OMB has also been unable to provide the kind of leadership in the management area that Congress envisions and the public interest requires. While OMB has undertaken a number of useful management initiatives in improving the use of information technology and cash, credit and financial management systems, it has yet to provide, as the General Accounting Office has pointed out, effective leadership in the areas of improved budget and policy execution and program service delivery.

More attention needs to be directed to improving strategic planning, major program implementation and program evaluation as an aid to the Executive Branch and Congress in planning, monitoring and assessing program results and future program needs. There is, in particular, a need to emphasize, and develop a process to emphasize, longer term investment issues. We need further progress in reforming the budgetary treatment of Federal credit programs, an agreed set of principles for scoring the budgetary impact of various actions or proposals, highlighting those elements of annual Federal expenditure that are in the nature of capital outlays, better anticipation of long term problems and opportunities, and a better system for tracking policy initiatives and priorities through a simple Management by Objectives (MBO) system. As the Senate Governmental Affairs Committee has pointed out, we need significantly to enhance Federal financial systems and the position of the Chief Financial Officer.

It is for all of these reasons that OMB's fiscal year 1990 budget request is $42,435,000. This request is in nominal terms seven percent above the fiscal year 1989 level. It reflects the costs associated with funding 34 of OMB's authorized but unfunded positions, one-quarter of the fiscal year 1989 pay raise, promotions and within-grade increases, the Federal employees retirement system (FERS), travel, rental payments to GSA and equipment. As you know, 85 percent of OMB's budget is for personnel compensation and benefits (72 percent) and rental payments to GSA (13 percent). The funding for staff is needed to provide for the new management initiatives I have mentioned and for filling a number of critical positions on the budget side of OMB.

We have also requested $83,950,000 to provide for the President's management initiatives. Our request states that the purpose of these funds would be to provide for the completion of Reform 88. The concept is that the funds, which would be centrally managed by OMB, would provide an incentive pool for management improvement projects executed by Executive Branch agencies in the areas of credit management, financial systems, and information systems. Credit management projects would include improvements in guaranteed loan management, direct loan servicing, electronic benefit transfers, debt litigation, and pre-screening of Federal loans. Financial systems projects would include acceleration of the development of finance center networks (at Interior, Veterans Affairs and Treasury) and continued implementation of the Standard General Ledger. The Management Improvement Fund supports OMB's capacity to meet the concerns of our authorizing committees.

Finally, the fiscal year 1990 OMB budget request includes $500,000 for the Federal Budget and Financial Information System. This investment represents a first step in replacing OMB's outdated budget computer system. A uniform Federal budget and information system has been needed for a long time. The current system, which has been developed in increments over the last twenty years, is both cumbersome and out of date. This $500,000 request would provide a start toward developing a new, single system which would allow us to merge data from the Congressional

Budget Office, the Department of the Treasury and other organizations, so as to provide policy officials with information that is useful and understandable.

OMB's fiscal year 1990 budget request was formulated during the Reagan Administration. It provides essentially for funding (i) OMB's current level of activity, (ii) a few more of our authorized positions to meet current workload and our increased statutory and management mandate, (iii) a variety of agency management improvements to implement Reform 88, and (iv) upgrading of OMB's computer system. However, in reviewing the overall needs of OMB in fulfilling its budgetary and management responsibilities, and in light of overall Federal budget constraints, in particular those faced by this Subcommittee, I am now inclined to think that we could get by with a smaller Management Improvement Fund coupled with funding of our full authorized FTE complement of 580. I will be happy to discuss this and other issues with you further in response to your questions.

Again, I thank you for the opportunity to present our request and to discuss it with you.

INVESTMENT IN MANAGEMENT IMPROVEMENT

Senator DeConcini. Mr. Director, thank you very much. Let me just say that I appreciate your opening comments here regarding investment in management improvement. I realize there are probably many, many needs there, but $83.9 million, first of all, is a lot of money. I would welcome your submitting to us what your priorities are.

We would like to work with you and ease you into this, perhaps without the full load, so to speak, to begin with. But we are more than happy to be convinced that there are areas that need attention, and we will move to fund those. However, we would like more specifics about the priorities on your part, if you would do that. I appreciate your willingness, right off the bat, to talk about a little less. But also, if you could be specific as to what you really need this year and next year, we will do what we can to assist you in that area, I can assure you.

PROPOSED OMB STAFF INCREASE

Now, regarding your staff increases, your fiscal year 1990 request for the Office of Management and Budget is $42.4 million, and 563 full-time equivalents. This is an increase of $2.7 million and 34 positions over 1989. Personnel and compensation, and benefits, for the 34 increased staff is a hefty increase, even though you indicate that you could probably use a great deal more.

Your testimony states that the additional staff positions will be used for new management initiatives and to fill some critical positions in your budget shop. Yet, I do not see any mention of the specifics, where any of the divisions and staff will be allocated.

So I wonder if you can either tell us now, or for the record, where you would plan to allocate these staff positions, and what the increased cost to each division will be as a result of that.

Mr. Darman. I could give you a general comment, and be happy to submit further detail if you wish. If I were forced to decide right now, I would say it would be split about half-and-half management, and then through the program associate directors on the budget side. But that is arbitrary. Everybody needs more.

MORE NEED FOR MANAGEMENT FOCUS

Let me, if I might, say a word about the management side. As you know, the "M" was put in OMB in the early 1970's, following the work of the Ash Commission. The "M," however, has not really become very well established. The proportion of people working on management problems, per se, within OMB is very small, roughly one-tenth of the total number of people.

The management problems for an agency like ours are way beyond the number of people allocated to look at that job. So if I were saying one-half the additional increment, 16, 17 people, that is tiny compared to what is at stake. You could easily justify the whole amount being allocated to management. But as we all know, we do not have the resources.

So what I would suggest is some initial priorities in the management area that require more emphasis. They have had emphasis, but they require more. Financial systems improvement, we need some first-class people brought in from outside who have got experience in that area.

I think we need to segregate a group that is doing more long-range management analysis, longer range. GAO has reviewed OMB's performance, and has reached the same conclusion I have, which I suppose might be obvious, that the pressures of the day consume the organization, and it under-attends to long-range analysis, both on the policy side and on the management side.

So I would like to see increased attention to some long-range management problems. To pick one obvious example, with the benefit of hindsight, or a couple examples. The S&L crisis. I think OMB, correctly doing its job, should be able to see a $100 billion problem in the making, and take more timely action.

Now, that is easy to say with the benefit of hindsight. If you look at the atomic weapons production and cleanup problem, which is estimated by many people to likely cost $100 to $200 billion over the next 20 or 30 years, that is the kind of a problem that should have been seen in advance better and adapted to, to some extent, if possible, prevented.

NEW MANAGEMENT BY OBJECTIVE SYSTEM

I would hope that, with a little more attention to problems in the making, looking forward with a little more lead time, we could dramatically reduce the cost for remediation for some subsequent administration. I also want to see us establish a management-by-objective system, not a cumbersome one of the type that was in place in the early 1970's—a much simpler one. I think the cumbersome versions fall of their own weight.

Senator DeConcini. Have you implemented that?

Mr. Darman. We have taken the first couple of steps. We have given guidance to all the Cabinet. The President himself has done so. We have requested the initial submissions from all of the departments and a few of the agencies. I believe they were all due May 4, today. I am not sure it was May 4. It is approximately the first week in May, and we will be reviewing that, their submissions, and in a fairly prompt order, I would hope, settling on the initial set of objectives to monitor.

I say that without yet having any people to monitor the objectives. But we will do the job. We can do the job better if we have some people to go with it.

AGENCY MANAGEMENT IMPROVEMENT

Senator DECONCINI. Mr. Director, let me ask you this—I appreciate the frankness in your approach to the cleanup matter, or the S&L matter, but really, is it OMB's responsibility, too, to have foreseen that? Is it not for the Federal Home Loan Bank Board to not only have foreseen it, but maybe brought it to your attention? Maybe they did, and you could not do anything about it. But it seems to me that there are other agencies that are far more responsible for highlighting those problems as they are developing instead of waiting until a crisis.

Mr. DARMAN. I agree.

Senator DECONCINI. Now, maybe that is unfair to the Federal Home Loan Bank Board. Maybe they did highlight it. But I did not see much of it.

Mr. DARMAN. No; I agree with you. The first line of responsibility should be the agencies themselves. Some have looked over the history of these crises, and actually blamed OMB, saying the agencies brought it to OMB's attention, and OMB did not do enough. I do not want to go over that old ground. I do not know what is right or what is not right in that history.

But if you believe that there is a management oversight role for OMB, then surely it ought to include not just attention to nits and nats, whether you can move a person here or there, and whether the FTE goes up by three people, or two people, or four people—but it ought to look at some serious big-time management problems.

If I might suggest, the other way around, we are now about to solve the S&L problem.

Senator DECONCINI. I hope.

Mr. DARMAN. The Congress and we will all get together and have a big signing ceremony for a $100 billion package, or something on that order. I do not know what it will be.

Senator DECONCINI. Off-budget, of course.

Mr. DARMAN. Well, everything that should be on budget, I am sure will be on budget, sir. [Laughter.]

Mr. DARMAN. But that will involve one of the largest management undertakings in the history of the Government.

Senator DECONCINI. You mean implementing that program?

Mr. DARMAN. Implementing that.

Senator DECONCINI. Good point.

Mr. DARMAN. I would hope that we would make that the subject of a management-by-objectives review, because I cannot think of too many management problems that are going to be larger than that one over the next few years just overseeing the execution of a several hundred billion dollar set of complex transactions, where potential for further fraud or potential for certainly poor execution and a bad return for the Government, is enormous.

I would hate to see us in the situation where, 4 years from now, we say we have gotten the industry fixed up, but at twice the price, when the increments we are talking about are so large.

So I think there needs to be a group of people who can do project-oriented management analysis on big projects.

OMB IMPROVING MANAGEMENT COORDINATION

Senator **DeConcini**. But will OMB do that, once this bill is signed? Will you attempt to get into overseeing management?

Mr. **Darman**. Not overseeing. I don't think we can get to be dictatorial.

Senator **DeConcini**. What will you be able to do?

Mr. **Darman**. I think the process has to be more coordinative. We operate with delegated authority from the President in a lot of these areas. So OMB's role cannot be to direct. It can, however, staff a process that forces agencies to report, to analyze, to justify, and so on, in the same way as you force us to report, quite properly, to you. Then we, as staff to the President, can use the President's authority to intervene, direct, redirect, and so on, to the extent that we identify problems.

We can reallocate resources. We can suggest changing people. We can do a number of things, but I do not think it can be quite so strong and direct. It has to be a coordinative staff function.

Senator **DeConcini**. Some of these new people will go, undoubtedly, toward that; is that right? On the management side?

Mr. **Darman**. I would prefer that they do so, that we have more people assigned to improving financial and reporting systems throughout the Government, to management-by-objectives, and to longer-range analysis of large-scale management problems. I think all of those will easily justify the return on a very small investment. If we just did one thing right at the scale of problem I am talking about, with a few extra people, they would pay for themselves in no time.

PROPOSED ALLOCATION OF INCREASED OMB STAFF

Senator **DeConcini**. I know the chairman of the Governmental Affairs Committee, Senator Glenn, has been working with you in attempting to get more emphasis on the management side, and we look forward to that, too. I think you raise a good point, and you certainly make a good justification. I would appreciate it if you would give us some specific details on where you are going to assign those people, so we have a clear idea.

Mr. **Darman**. Could I mention one other thing, Mr. Chairman?

Senator **DeConcini**. Sure. Certainly.

Mr. **Darman**. Some of the reason that I have delayed in this is, as you know, I am new to the job, too. I have wanted to get a feel for what each of the internal organizations' existing capacity is. You cannot, as you know, judge that too well by just looking at a piece of paper which lists a set of numbers.

Since all our numbers are people, what matters is a little bit of a feel for the existing capacities of people. So I can give you a better answer today than I could have 2 months ago, and probably a better one 2 months from now. But in any case, we will give you an answer.

Senator **DeConcini**. Well, if you can, in the next 30 days before we go to markup, I would appreciate it if you would give us what specifics you do have. The reason I want it is for the same reason you do. You are labor intensive, and your money goes almost solely for positions, and I would like to see where they are allocated, and where the new ones are going to be.

OMB USE OF DETAILEES

Let me ask you a question about reimbursable and nonreimbursable detailees. How many do you presently have on your staff from other Federal agencies?

Mr. **Darman**. Just 1 second. I have got an answer for you here.

Senator **DeConcini**. Maybe on that same answer page you can tell us how many reimbursable and nonreimbursable staff from OMB are presently assigned to other agencies?

Mr. **Darman**. The answer I have here is that we currently have 15 detailees at OMB. I do not know whether we have any that have gone the other way. Two, apparently.

Senator **DeConcini**. Two. What is the average time that those 15 have been with OMB?

Mr. **Darman**. I am sorry. Let me just double-check. Less than 180 days, and they come on during the budget season, and go back.

Senator **DeConcini**. Are those reimbursable?

Mr. **Darman**. Not if they are there less than 180 days. As soon as they go over the 180 days, they are.

Senator **DeConcini**. They become reimbursable. How many do you have? Give me the breakdown for the records. How many are reimbursable and how many are not?

Mr. **Darman**. I think the answer is none. Yes; the answer is none that are currently reimbursable.

[The information follows:]

Letter From Richard G. Darman

June 24, 1989.

Hon. Dennis DeConcini,
Chairman, Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations, U.S. Senate, Washington, DC.

Dear Mr. Chairman: In gathering data to respond to questions for the record from my May 4, 1989, testimony on the OMB budget, I have just learned that incorrect information concerning OMB detailees was inadvertently presented to the Subcommittee. I wish to correct the record and advise you of the immediate action I am taking on the matter of detailees at OMB.

At the May 4th hearing, you asked me about OMB detailees. As indicated in the transcript (pp. 15–16), I turned to staff for answers to specific questions about the number of nonreimbursable detailees at OMB. Unfortunately, the answers given to me were incorrect. Based on staff statements to me, I indicated that it was my understanding that OMB had no detailees who had been at OMB over six months. In fact, as I am now informed, we have fourteen. I also stated that we reimburse for any detailees over six months. This was the policy I had been accustomed to at the White House; and I was led to understand it was also OMB's policy. In fact, it seems this has not been OMB's policy; and I am now informed that the detailees who have been at OMB over six months are nonreimbursable. At the hearing, I reported that OMB had a total of fifteen detailees. This was accurate based on data which excluded four detailees in OFPP, and was collected on April 10th for my original April 14th hearing date. As of June 8, 1989, OMB had twenty-two detailees, plus four in OFPP, for a total of twenty-six.

I have just learned about these facts. As you would appreciate, I am embarrassed to find myself in this situation. Clearly I owe you an apology. And I am obliged to take remedial action within OMB.

In response to what I now understand to be the facts, I am taking immediate action to change OMB policy on nonreimbursable detailees. In the future, there will be a limit of six months on nonreimbursable detailees. If it is necessary for a detailee to stay at OMB to complete his or her work, OMB will reimburse the loaning agency for the detailee after six months. This new policy will be implemented with a phase-in period for the fourteen nonreimbursable detailees who are presently working at OMB and have been here over six months. There is a potential for disruption to the careers of these employees and to the important functions they carry out should they immediately have to return to their agencies. Therefore, as to these employees only, I will phase-in the six-month rule so that all fourteen will be returned or reimbursed by October 1, 1989. As to other detailees who are now at OMB or may be detailed in the future, the requirement for reimbursement or return will take effect after they have been at OMB for six months.

The new six-month rule is consistent with a statutory provision regarding detailees (3 U.S.C. Section 112) which is applicable to certain agencies within the Executive Office of the President. Although that statutory provision does not apply to OMB, and OMB is not required by law to limit detailees to six months, I have decided to adopt a six-month limit for OMB as a matter of good public policy.

I deeply regret that the Subcommittee was provided incorrect information. While I cannot guarantee that this may never occur again, I can assure you that I will never knowingly tolerate the provision of incorrect information; and I will—as in this case—inform you of any such mistakes immediately upon learning of them.

Again, I ask that you accept my apology.

With best regards,

Richard G. Darman,
Director.

THE IRS BUDGET/REVENUE INITIATIVES

Senator DeConcini. Let me go to a couple of other questions. I have some other questions here regarding your travel and what have you, but I will submit that to you. I would like to review some questions regarding the IRS budget, Mr. Director.

The fiscal year 1990 Reagan budget included an increase of $289 million for the Internal Revenue Service. That increase would have allowed continued modernization of the automated processing of tax returns, improved taxpayer service, and an enhanced revenue initiative in fiscal year 1990.

That revenue initiative would have cost $55 million, and would have generated revenues of $318 million in fiscal year 1990, according to the IRS. The bipartisan budget agreement assumes an increase for an additional revenue of $500 million. However, I am advised that the IRS has predicted its cost for the increased revenue enhancement off the current service base.

As I understand it, the budget agreement assumes the 1989 enacted level as the base for the revenue initiative. So assuming we want to fully fund the revenue initiative, the amount identified in the budget agreement may not be sufficient, due to the shortfall in the base, because it was not adjusted for inflation.

So even if we provide the full $113 million in budget authority for the IRS revenue initiative, the revenue estimates may very well achieve less than what we provided additional funding for, over and above what is contained in the budget agreement.

Are you aware of the problem, and if so, can you tell us if the issue was discussed during the budget negotiations, and what is planned to resolve it?

Mr. Darman. I am aware of the problem in a slightly different form. I am not aware of it exactly as you stated it. May I try a slightly different version?

Senator **DeConcini**. Please.

Mr. **Darman**. Let me tell you what was discussed in the budget negotiations, and what I believe is the case. I think that the $500 million that you are referring to is a combination of an expected $300 million increase from the Reagan budget, and another $200 million that was added in the budget negotiations.

It is actually not a full $200 million. It was rounded up to $200 million. It is around something like $170 million, and it was rounded up to $200 million to get—0.5 is the level of detail they deal at in that agreement.

So the question is what is the incremental resources beyond the Reagan budget required to produce the additional $170 million, and I think the answer—I am going from memory—was around $59 million; is that roughly right?

Senator **DeConcini**. Yes; I think so.

Mr. **Darman**. From IRS.

Senator **DeConcini**. Yes.

Mr. **Darman**. That assumes a lower ratio of increased revenue to increased expenditure to get the revenue, than in the prior $300 million, which is something that I did raise a question about. Why is the ratio going down so rapidly?

Senator **DeConcini**. Now, what base are we talking about? Are we talking about the 1989 base, or the IRS projected base? I am confused here.

Mr. **Darman**. I have not seen the IRS analysis that says there is that problem. If there is, I would be more than happy to—how much additional money do they say that they need?

Senator **DeConcini**. About $60 million more, to reach the compromise.

Mr. **Darman**. To reach that revenue target?

Senator **DeConcini**. Yes.

Mr. **Darman**. Well, there are two things I would like to look at and follow up with you, if I could suggest, because I had not seen that. One would be the basis for that request for the additional $60 million. But another one is the one I just raised, which is interrelated with it, and that is that IRS has the rate of return on this coming down very rapidly.

In other words, the earlier request in the Reagan budget assumes about a 6-to-7:1 ratio for every additional dollar invested in compliance, in terms of the net yield in revenue. For the $59 million, they are only assuming 3:1. Why is that ratio falling off so quickly? That is something that Secretary Brady has really got principal responsibility for, and he assures me it is correct. But I have not had time to take a second look. So I would like to look at both together, because it could be we would actually get a little more revenue than they are forecasting.

TRACKING OF REVENUE ESTIMATES

Senator **DeConcini**. What I would also like to ask you, Mr. Director, is how closely, if at all, does OMB track the revenue estimates made by the IRS, not just on this particular set of circumstances we are talking about, but across the board?

Mr. **Darman**. We track them pretty closely. It varies area by area. OMB has its own estimating model for investment and compliance, which is now used by Treasury. In fact, the OMB person who was involved in developing the model is, I think, in charge of the budget—Jill Kent at Treasury.

Senator **DeConcini**. Is she still there?

Mr. **Darman**. Oh, sorry. She was stolen by Secretary Baker. She is now in State. In any case, she was there at the time that the budget was put together. And so, there is a lot of interchange on the IRS estimating.

Senator **DeConcini**. Last year—excuse me, it was 1988 we were working on—Mr. Gibbs told this committee that for a number a little bit under $300 million, that the IRS, through enhancement and collections, could raise $1.2 billion, and that was one of the initiatives that Senator D'Amato and myself used in the first Omnibus Drug Bill to raise the money.

As that came along, and that bill went through the process, and changed its numbers and cosponsors, and became bipartisan on a massive scale here, with some 70 cosponsors, that number kept dwindling and coming down, and when we finally passed the Omnibus Drug Bill, we had a lot less. Of course, a lot of time had lapsed.

My concern is, who can get a handle on this? Every time we start off with these things, it looks very, very encouraging. And then, by the time you get to passing it, there are very justifiable reasons, because had you put everybody in position right at once, they tell you, then that is what you would have had.

Well, it is impossible to put everybody in position right at once, so you never could have had it, as I see it. I just wonder if OMB has the capacity or has taken the time to try to track that, or to work with IRS and Treasury, so somebody would have some realistic approach, that you could show that this is what actually happens—dollar invested, dollar returned—too many dollars returned.

Mr. **Darman**. Right. OMB has done quite a bit of work on that. OMB has at times been at odds with Treasury on that, and I have been on both sides. When I was on the Treasury end, we used to like to argue that the returns on the investment were very high. OMB used to like to argue that the returns on the investment were low.

We put the two teams together, from OMB and Treasury—this is back while I was at Treasury—to try to at least come to some closure on the estimating model. In the time that I was there, I never saw a ratio as high as the one that you say was being—I was not in Government at the time that you were doing the drug bill. But I would have been very surprised at that initial estimate.

Can I just check one thing?

Senator **DeConcini**. I will supply you with the testimony from Mr. Gibbs. We have it. I am advised that we sent you a letter, too.

Mr. **Darman**. Oh, I am sorry. I got a zero off. No; that ratio should have been reasonable. It was 4:1. I don't see why it should have fallen.

Senator **DeConcini**. It did. That is the trouble.

Mr. **Darman**. Because the estimates they are using now, I just noted, are in the 4:1 range. So I do not see why that should have fallen. It was in the teens when I was at Treasury.

Senator **DeConcini**. Yes; my staff just pointed out that some of these may have something to do with the type of audit that is initiated, whether it is an inquiry, a simple audit, or a more thorough examination audit.

Mr. **Darman**. But even so, I would like to try to look into this a little more.

Senator **DeConcini**. Well, I would appreciate it if you could. And whatever you can share with us, it would sure help us. Because when we are in this position, every time we look at the IRS budget, if we take $50 million out of it for whatever, immediately they say, "Gosh, we are going to lose $250 million, or something like that, in revenues, or collections."

And yet, when they come in with these figures, they do not seem to work the other way. So it would really be helpful, without banging on IRS, to just try to see what is fair. That would be helpful to us.

FEE FOR IRS TAXPAYERS ASSISTANCE

Let me go to another area, Mr. Darman. I have some difficulty understanding why OMB would want to suggest that the IRS charge a fee for the public use of taxpayers assistance. I am sure you are aware that IRS has not had the best track record on providing accurate information to the public.

The last survey conducted by GAO showed that 40 percent of the time, IRS gives incorrect information to the public. This proposal is still part of the fiscal year 1990 budget for the administration. Now, I can understand that when a taxpayer writes for an opinion, which is often related to business or an estate or something like that, that it may be justifiable to charge a fee. I don't see any objection to that. But I understand that the fee that you are proposing would be literally for all taxpayer services, and maybe if we paid for it, we could require or feel better to insist that they give us correct answers. But, quite frankly, that is their job now.

I have a hard time swallowing that, for the small taxpayer to make an inquiry, they must pay a fee.

Mr. **Darman**. I think, Mr. Chairman, you have a very fair point. I looked at it myself and I thought, after I saw those reports about people having a 1 in 3 chance of getting an incorrect answer, that it might be better if they were charged a prohibitive fee so they would not call. [Laughter.]

Senator **DeConcini**. Well, they might be better off; you are right.

Mr. **Darman**. Yes; they would be better off, at least statistically. On average, they would be a lot better off.

Senator **DeConcini**. Well, maybe you should put that in as the oxymoron of the year.

Mr. **Darman**. Logically, what one should do is, if one is going to charge a fee for the service, the service ought to at least to be of value. The more basic point I assume you are making, and I would agree with, is we have got to figure out if we are going to provide that service—how to get its accuracy rate way up.

Senator **DeConcini**. Do you not think that we ought to get the accuracy rate first before we even suggest to the public that maybe they ought to pay something?

Mr. **Darman**. I think that that is only fair, when the error rate is as extreme as apparently it is. Now, I have not seen the underlying analysis. I only saw the general account of this. But if it is as bad as reported, it seems to me completely unfair to ask people to pay for the phone call when the phone call gives them a 1-in-3 shot at the wrong answer.

Senator **DeConcini**. Yes; well, I am glad you agree with that, and I hope you will——

Mr. **Darman**. But I would like to see us eventually get to where we have a system, if we are going to have one, that gets the answer right. But then, I think, I would be more than happy to justify suggesting that people ought to pay for it.

Senator **DeConcini**. Well, I would not shut the door on that, if it was really correct answers that you might have to go get from some professional. But before we move in that direction, I certainly would like to see you do what you said you would be willing to do, to see if we cannot improve the accuracy rate before we start requiring a fee.

Mr. **Darman**. I have had a question. This stems from my Treasury days, and it is more, as I say, Treasury business than mine. But I have had a question whether it was even reasonable to aspire to high accuracy rates with the approach to service delivery that the IRS has.

Senator **DeConcini**. You mean because of the volume?

Mr. **Darman**. Because of the combination of the volume on the one hand, the complexity of the subject matter on the other and, if you would allow a third hand, the ability to attract people to handle that complexity at the price that they are being paid.

In effect, you are asking to do lower level legal/tax/accounting work for prices that are not at all competitive with the private market prices for the same service.

Senator **DeConcini**. You are right. And that is the argument you make for charging a fee for it. Maybe there are some innovative approaches, such as fees going to the salaries of people that do that in IRS. I do not know if that is practical or not.

CUSTOMS DRUG INTERDICTION

Let me turn to the 1990 budget, and to some areas of real concern to me, Director Darman. Sufficient funding to permit the implementation of the Customs Drug Air Interdiction Program by fiscal year 1992 has not been included in the fiscal year 1990 budget request for the U.S. Customs Service.

Customs needs approximately $155 million in fiscal year 1990 to keep the implementation of the drug interdiction strategy on track. The $155 million would be used to purchase two P-3 AEW's, 10 Citation II modifications, an Aerostat balloon for Great Inagua and the Bahamas, and increased air staff to the level of 966.

The only new drug enforcement money that has been requested for Customs, and apparently cleared by you in fiscal year 1990, is for $27.5 million for increased cargo-container examination.

Now, I support the cargo-container initiative. However, you are proposing to fund that initiative at the expense of the Customs commercial operations program, which is, frankly, unacceptable. And let me tell you why.

I wonder if you realize how much money is collected from the commercial operations of Customs; and second, the Reagan administration's Drug Policy Board set the air interdiction strategy and adopted it. My question to you is, how do you justify taking from the commercial operations program in order to fund the containerized cargo initiative, No. 1? No. 2 is, does the Bush administration support the Drug Policy Board of the previous administration, as to their strategy for the war on drugs?

Mr. DARMAN. I think the fair answer to that question is that we basically left the review of this to the drug czar; and we intend to work, and are working, closely with him on that review; although I personally have not yet gotten into it. It is due, as you know, September 1, I think.

When we came into the Bush administration, there were an awful lot of these decisions that we simply incorporated without detailed review. I do not mean to be confessing an error. I think that, as you will recall, we had a difficult challenge of coming up with a whole budget in less than 3 weeks, as we did do by February 9.

In coming up with that February 9 budget, we isolated a number of big issues that merited review within that 3-week crunch period. But in a lot of the issues related to drugs, my own personal view is we did not give it the analysis it deserves, and we did it consciously because we were aware of the statutory requirement of the drug czar to go over the whole thing and have a new plan in 6 months anyhow.

So what we did is we put in an extra $1 billion, almost, as you know, and spread it around somewhat arbitrarily.

Senator DECONCINI. Well, that is a pretty fair answer, considering the legislation, and I appreciate that. But let me just give you an example. Customs requested $353.7 million for the air operation and interdiction program. OMB only approved $128 million.

Now, the rationale is that well, the reason we do not want to approve more is because we want the drug czar to have an opportunity to review this, et cetera. Then my question to you is, assuming Director Bennett comes forward in September, saying we should fund the full air interdiction program, what do we expect from OMB?

Mr. DARMAN. This may be naive. But he and I are pretty good friends, and I would hope that we would not end up in much conflict.

Senator DECONCINI. Well, that is encouraging, because I do not know what he is going to come forward with. But the previous administration, with Congress' total approval, has launched into this air program. He may want to modify it and change some of it, and that is certainly his prerogative in the policy strategy that he is going to put forward. But I really doubt that he is not going to fund, at least the balance, of the Southwest border initiative, to put the balloons up and to get some P–3 airplanes when we have literally no radar there now.

Mr. DARMAN. See, my feeling, Mr. Chairman, is that this really—and I think I am about to say something you would agree with, too—this really is a strategic issue. You have got to decide how serious you want to be about interdiction in the first place, relative to other possible approaches.

If you are really going to be serious about interdiction, in my opinion, you have got to spend a great deal more than we are spending, even though the amounts have been increasing, that if you are going to come anywhere near close to having control of the border, especially the Southwest border, the investments have to go up very, very substantially. So if we are going to look at that seriously, we ought to look at it very seriously.

I know that the OMB position has been, and I think it is the position of some others, that the drug threat has shifted from the air to cargo containers, and that the return on the investment is greater by focusing on cargo containers, given limited resources.

But that is exactly the kind of issue that the drug czar ought to analyze. Everybody is going to have his own guess on a strategic question like that. I would hope it could be well-informed.

Senator DECONCINI. Let me just say, I think that is very true. It has shifted. According to the Customs Service and the Border Patrol, two different agencies, but involved in the same effort, much of it is attributed to the fact that the air program has forced them down on the ground or into cargo containers.

Mr. DARMAN. Right.

DRUG PROGRAM FUNDING

Senator DECONCINI. That may be an immensely expensive effort, but I do not know how else to keep the pressure on. I, like you, I am sure, agree that we are not going to win this war by interdiction or enforcement. We have got to spend the money on education and on the demand side, and I just hope that OMB is, as you have stated, going to be willing to fund some of this air program, assuming that the Director of the Office of National Drug Control Policy, Mr. Bennett, is prepared to stand by it.

Mr. DARMAN. What I think we need to do is make sure that we all agree, Congress, as best we can, and the administration, that we have got a coherent approach. That, I take it, was the basic rationale for the drug bill and the creation of the drug czar.

And so, from OMB's perspective, I would care more that we have a strategy that makes sense in terms of its internal consistency.

Senator DECONCINI. I agree, but you know that the drug bill did allocate roughly 63 or 64 percent for demand, treatment, and education; more there. But it also left a good chunk of $2.5 billion for enforcement. What Customs was asking OMB for was not for additional money; it was just, in that guideline, to meet that expansion.

Mr. DARMAN. Well, as you know, we did not fully fund the bill——

Senator DECONCINI. I know.

Mr. DARMAN [continuing]. And so it was not just in the Customs area, in a lot of areas it was——

Senator DECONCINI. You are absolutely right, and the question back to you is, if the President is so committed that he refers to drugs as the scourge of our society and the No. 1 enemy and all those sort of things, we would like to see OMB say, "Here's a place to come forward with greater funding."

Mr. **Darman**. All these things are, as you know, relative and just as an early indication for what it is worth, we had, as you know—and we have been much criticized for this—a very, very small pot of money for initiatives when President Bush came in, and by far the biggest piece of that went to the increase for drugs.

I know it is not as much as many in the Congress would wish, but at least our early relative emphasis was very heavily in the direction of trying to do something about drugs.

Senator **DeConcini**. Well, let me say, Mr. Director, this is a small amount of money, but it is indicative of one of the problems that I have when I review the budget or try to review it, particularly as it relates to this subcommittee.

The fiscal year 1990 budget for Customs, for instance, assumes a transfer of two E2C aircraft and $10.4 million from Customs to the Coast Guard. The Coast Guard budget, on the other hand, while reflecting the transfer of the aircraft, shows an operation and maintenance budget of $7.9 million. So my question is: Why is $10.4 million being transferred from Customs when only $7.9 million is needed by the Coast Guard? What happens to the other $2.5 million; do you look at that, or does anybody know?

[Pause.]

Mr. **Darman**. I have received two answers.

Senator **DeConcini**. Pretty good.

Mr. **Darman**. One of which is——

Senator **DeConcini**. Well, you have a choice there.

Mr. **Darman**. One of which is that we do not know. The second one is that we have been told by Coast Guard that because they run a larger program they can do so more efficiently, but I personally do not know what the answer is.

Senator **DeConcini**. Maybe you could find out for us——

Mr. **Darman**. Yes; we can try to do so.

Senator **DeConcini** [continuing]. And my concern about it is, when you talk about management, it seems to me that $2.5 million is a small amount of money that we are talking about in the drug interdiction program, but it should be worthwhile.

Mr. **Darman**. We could use it at OMB.

Senator **DeConcini**. Yes; you could, sir, and if you save it, maybe that is where we will put it.

Mr. **Darman**. OK.

FISCAL YEAR 1989 SUPPLEMENTAL FUNDING

Senator **DeConcini**. Let me address a few questions about the supplemental—we talked about it a little bit before—the supplemental funding requested for 1989 was $2.2 billion in budget authority and an additional $445 million in outlays.

You are proposing to fund programs, such as medical care for veterans and on that subject, Mr. Director, I want to compliment you as highly as I can for your willingness to meet with the veterans committees as you did and some of the leadership as you did and to find a modest amount—not near as much as I would like to have seen, but under the circumstances, a willingness on the part of the administration to realize the drastic situation the veterans medical delivery service was in, and you deserve the credit for taking the leadership to respond to that.

PROPOSED FISCAL YEAR 1989 ACROSS-THE-BOARD CUT

You did some of this, however, through across-the-board reductions and what the budget refers to as domestic discretionary residual accounts and by transfers from other accounts. Now, while I support the increases and cannot say enough for you in that you addressed it and came up with something, I do not support what appears to this Senator to be indiscriminate cuts in programs that are already at what appear to be the bare bones level. Let me just go over some.

You are proposing, I believe, to have certain accounts take what appears to be a double hit. First, you transfer money out of those accounts, and then you turn around and subject them to across-the-board cuts.

In the discussions I have had with agencies under the jurisdiction of this subcommittee, it seems that OMB gave them absolutely no consideration. Since not all accounts are being subjected to across-the-board cuts, I wonder if you can explain to us how the decision was made to reduce certain domestic discretionary residual accounts and not others.

Mr. **Darman**. Yes, sir; I can try. As you know, we felt that we had to show some degree of fiscal discipline and that two things were important in that respect. One, that we limit the request for program increases to so-called dire emergencies, that there be some standard of emergency that people would have to pass before the justification would be accepted, and, second, that whatever the total was after people got across that threshold, that it be offset. This is with respect to other than mandatory programs, and in looking for offsets, we had as people have had before, a number of different possibilities.

We thought that we pretty much exhausted specific programmatic opportunities. We had a couple, but by and large, they were not sufficient to offset the amount of the increase.

We said, "Well, what would be a reasonable way to try to come up with an offset?" We adopted a variant of the sequester principle, and your question goes to, "Well, how come it only applies to certain programs?" The explanation for that is we felt that the approach to our budget was one where we attempted to identify priorities, and if a priority were a priority, it should stay so, and we had a second category that was called by us the residual freeze category and called by people who were somewhat less respectful of it, the black box. That category was the one that we said we would like to negotiate with the Congress about. That was not high priority. We were not saying that we did not want to fund the program. We just said it was not as high a priority.

So we said, "Well, if it is not as high a priority, why don't we just uniformly apply a reduction percentage in whatever amounts necessary mathematically to accomplish the offset?" That was the logic of it, except we then said, "Well, wait a minute. If we have got something like veterans, which is in that residual freeze category in part, and we are giving it an increase, it does not make sense to turn around and take it away with the cut."

So we exempted programs that were themselves the subject of the increase in the supplemental. That is the logic of how we got there. We are taking a second look at the whole thing——

Senator **DeConcini**. That is good.

Mr. **Darman**. Yes; sorry for laughing, but everybody seems to be having trouble getting this satisfactorily together. I know you know and we all do that there have been other approaches that did not exactly command overwhelming support either.

Senator **DeConcini**. Let me just give you an example. Under the GSA account for allowances and office staff for former Presidents, your supplemental proposes to reduce the pensions for former Presidents. I cannot believe this was an intentional action, but if Congress did not review these requests, that is exactly what we would do if we just adopted your supplemental.

Maybe you can comment on that one or give me an explanation. Maybe we have misread it, but that is what we see has happened there, and it concerns me that those cuts appear to be kind of arbitrary, and maybe nobody even peeked at it.

Mr. **Darman**. I was led to understand—I may be wrong on this, and maybe what we sent up was worded incorrectly. I did not look at all of the details, but I was led to understand that the——

Senator **DeConcini**. This is on the across-the-board cuts.

Mr. **Darman**. Right. I understand, but the detail on the across-the-board cut was supposed to have exempted the pensions for former Presidents. Let me double check and see if——

Senator **DeConcini**. Would you please? If it does, we could not find it, but maybe you could find it for us.

Mr. **Darman**. I cannot get any confirmation, but I am——

Senator **DeConcini**. Well, I only point that out, not to embarrass anybody—I know your staff works very hard at this, and I have great respect for their competence—but it just appears to me that there may be other areas there that are not clear as to some of the across-the-board cuts, and that is why, of course, I am sure the administration with your leadership finally negotiated something with Congress, and Congress finally negotiated something with you, so we did not have to live through a sequester budget that might have been confronting us.

[Pause.]

Mr. **Darman**. Yes; excuse me. The question is whether we actually submitted the paperwork correctly. I know the intent was not to cut it.

IMPACT OF PROPOSED ACROSS-THE-BOARD CUT IN CUSTOMS

Senator **DeConcini**. Now, here is one, Mr. Director—I do not see how you can make a $7 million reduction in the Customs salaries and expenses account without affecting drug enforcement activities. Customs commercial operations and inspection and control activities are intertwined with drug investigation and enforcement. I mean, that is pretty clear.

The fiscal year 1989 supplemental originally reported by the House contained approximately $821 million to fund the programs authorized under the Omnibus Anti-Drug Abuse Act of 1988, and I understand OMB has problems with that. I also understand that OMB has developed an alternative that you wanted to talk about.

But the supplemental that you sent up here certainly left this Senator really confused as to how you arrived at cutting Customs' salaries and expenses and still be able to support the drug program, if that is really what you had in mind.

Mr. DARMAN. I have a lot of answers to questions of this type which suggests that, in that particular case, that we had a common objective with yours and did not intend to have the effect that you are talking about. In the case of the one for former Presidents, that is set by statute, and our proposal did not intend to cut that, and we have got $388,000 that is coming out of allowances and pensions paid, but not out of their pensions themselves, but out of deferred equipment buys and so on.

What I do not know is whether all of these answers, which I thought were what in fact we submitted, are exactly consistent with our submission, but apparently not.

Senator DECONCINI. Let me give you some questions, will you?

Mr. DARMAN. OK.

Senator DECONCINI. If we could burden your staff to get us some specific answers, if there are changes here, that might make the supplemental a little bit easier to get through here.

The real question I have for you on that supplemental is that I gather from talking to you on the Veterans health care and medical care area that you went through this and came to some conclusions that, yes; you had to make this a priority. You were willing to make some exceptions for medical care, and I endorse that, and I really mean this, Mr. Director.

I do not think we have had an OMB Director who ever sat down with the committee as you did. Mr. Miller was a fine man to work with, but I mean to sit down with an authorizing committee like you did with the Committee on Veterans Affairs and understand that we needed something, even though we did not get the $700 million we wanted.

IMPACT OF ACROSS-THE-BOARD CUT ON DRUG PROGRAMS

But why could you not make the same allowances for the war on drugs? What was behind the administration's logic to conclude that this was not important enough, other than—you have got Mr. Bennett out there putting the strategy together, but what happens in the meantime when there is authorization for $2.5 billion, and we have only funded less than 20 percent of it? I cannot understand what logic was used in not considering some increase in the supplemental for the drug bill.

Mr. DARMAN. It is definitely not to be explained on the basis of any suggestion that we do not think that the drug problem is of absolutely fundamental importance to the society. I would be very hard pressed to name any that would be of greater importance. None immediately comes to mind.

So that is not a reflection of the sense of importance or urgency of the problem on our part. It is a combination of a sense that we are not yet comfortable with the strategy, and since the law did provide for an orderly review of that, we have used that as what I think is a legitimate excuse to try to get intellectual command of the area and get comfortable with the strategy, and then go fully to attempt to get it enacted and implemented. That is one of the reasons.

A second one is maybe more personal on my part and more parochial from OMB's perspective. It is my unfortunate responsibility to have to try to keep spending down, and it is my sense that as soon as you open the door on the subject of drugs, that the political system is so concerned about this that it is willing to spend any amount of money. It is near limitless, and since we did not yet fully have a strategy worked out to our own satisfaction, we do not have a satisfactory basis on which to say, "You should do less of this and more of that, more of that, but not more of that." There is no way to restrain it.

So we need to have a coherent strategy that is agreed to by the executive branch and the key people in Congress if we are going to be able to have a cap on this. That is, as I said, a more parochial—I am not speaking for the President on that. That is a more parochial OMB concern.

Senator DECONCINI. Well, I can appreciate the dilemma you find yourself in. Let me just tell you the dilemma some of us find ourselves in.

The Southwest border is experiencing the highest infiltration of drugs and drug confiscation than any place in the country now that the Southeast has been clamped down on a bit. We have had drug homicides there equal to southern Florida in the late 1970's—17 drug-related murders right in my State.

Law enforcement tells us they are related to the Colombians. The drug-smuggling organizations in northern Mexico are Columbian-organized and operated now. This has all been reported by the press and by law enforcement.

I can appreciate wanting to wait for a strategy, but it seems to me that when you have the previous administration committed at least to the Southwest border initiative, that you might find some funding for that and for the completion of the one Aerostat balloon that would help put the lid on in the Bahamas for continued effectiveness.

Now, I realize that you have got the big problem of where you are going to put all of these moneys. We are not talking about billions here. We are talking about a few million in the supplemental that would help us complete some of these programs, and I am only asking you in your compromise, assuming one is reached on the supplemental, would you consider any funding for drug-related law enforcement?

Mr. DARMAN. Yes; I believe that we should consider that in the context of a workable compromise, but what I was saying is that I was very reluctant to even open this up, because it quickly turns into a bidding war that gets the whole thing out of control, and we end up with no supplemental that can pass, and the veterans do not get their money, and we are polarized and stalemated and so on.

So looking to try to get something within reasonable bounds, we started at zero, but in the end, I suspect that there will be a reasonable compromise—some money—but I really do not think we can find a way to get all of us together. By all of us, I mean the Congress itself together if the money turns out to be too large of an amount.

Senator DECONCINI. I understand that. We are talking about the supplemental, and maybe you do not need the whole load, you know, because I do not think Director Bennett is going to suggest spending $2.5 billion—I have talked to him a little bit, and from the little bit that I see—he is going to suggest something substantial, but there are a few areas here that need attention, just like what you consider to be the minimal medical concerns of veterans.

I have one last question, Mr. Director, and then I will submit the rest of them for the record and let you go for the day.

FINANCIAL MANAGEMENT SERVICES POSTAGE COSTS

When Secretary Brady was before our subcommittee on Tuesday, he testified that he supported a legislative modification to allow the Financial Management Service to receive direct reimbursement from the Social Security Trust Fund for services it provides in the processing of Social Security checks.

The way it works now, as you probably know, this subcommittee has to appropriate some $95 million a year to allow the FMS to cover the cost of processing Social Security checks. Social Security then pays the general Treasury on a quarterly basis.

If we were to include legislative language to enact this change in the supplemental appropriation that Mr. Brady supports and Mr. Baker supported—maybe you were there when that decision was made—would you support it?

Mr. DARMAN. On the basis of what I know at that moment, the answer would be no. But instead of ending on such an unpleasant note, may I——

Senator DECONCINI. Yes; we have had a good day.

Mr. DARMAN. May I suggest this, if you would, just for your consideration, Mr. Chairman—I am not asking for a response.

Secretary Brady and I have hardly ever differed on anything. We have worked very well together, and between the two of us, we cover a good deal of the ground that you are interested in from the standpoint of appropriations.

If you were willing, I would suggest that the two of us meet with you to try to work out, not just this, but a host of these issues.

I believe that the budget agreement for 1990 will likely result in a 302B allocation that would give you more money to spend than we proposed in the Bush budget, and so there would be a host of issues of allocation that Secretary Brady and I could perhaps usefully informally meet with you to see if we could perhaps come to an agreement. This particular one, he and I might differ on, but——

Senator DECONCINI. Just if you promise not to change his mind. [Laughter.]

Mr. DARMAN. I would have to confess that it crossed my mind.

Senator DECONCINI. I appreciate that, and that is satisfactory with this Senator. I know Senator Domenici feels very strongly about it too, we were very pleased to hear that Secretary Brady would follow Secretary Baker's position, and maybe they could have some influence on you.

ADDITIONAL COMMITTEE QUESTIONS

Mr. Director, thank you for your time here. I have questions from Senator Domenici. Does anyone else have questions?

[Pause.]

Senator **DeConcini**. We also have questions from Senator D'Amato and Senator Kerrey, so your staff will have something to do on that half a day that they do not get off on that sixth day.

We thank OMB and you, Mr. Director, and your staff for your cooperation. I look forward to working with you.

Mr. **Darman**. Could I thank you again, Mr. Chairman? We look forward to working with you. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

OVERVIEW

FY 90 OMB BUDGET

DeConcini: Mr. Director, I know you have a whole host of very important matters on your mind and a very tough job ahead of you, so I hate to complicate your life by bringing up what may appear to be inconsequential matters. However, there is something that has been nagging at me and that is the way in which the OMB budget documents have been prepared for the Congress. Frankly, it is loaded with information which is of no apparent use for this subcommittee. It is a 65-page document but 54 of those pages are devoted to what I consider to be frivolous explanations of the workloads of the various OMB divisions.

At the very least, if the budget preparers wanted to include those explanations, they could have told us something about the budget allocations for those workloads.

Explanations of specific requests for increases in funding for the 34 staff positions, the computer upgrades and other projects are barely mentioned on the remaining 11 pages of the document. The information we need to judge the merits of each project in nonexistent. For example, page 9 of the document lists the 10 different divisions by distribution of permanent positions. But, instead of identifying the staffing levels funded in fiscal year 1989 and comparing it to the FY90 request, the table lists the allocations of "authorized" staffing levels. Mr. Darman, the numbers that appear are the same for 89 and 90.

Obviously, if you are asking for a 34-staff increase in funding, the distribution of the increased staffing should be displayed.

OMB gives guidance to all other federal agencies on the preparation of their budget justifications for the Congress. It has been rare when I have seen any Federal budget justification which is so deliberately confusing and lacking in the specific information this committee needs to understand the budget request. Obviously, your budget people have a lot of experience, and this is why I don't understand why your own document is so inadequate.

Have you looked at the budget justification, Mr. Director? If so, do you have any explanation as to why it is so confusing?

Response: In response to the concerns you raised regarding OMB's initial budget justification in support of the Reagan budget, we have submitted a justification that we hope will be more useful to the subcommittee in making it's review. We will be happy to provide any additional data you may need.

DeConcini: What specific management functions will the additional 34 staff carry out which cannot be presently undertaken due to a staff shortfall?

Response: The revised Bush Administration budget request provides for 17 additional positions in Fiscal Year 1990. These requested positions would be allocated to the Management area for the following programs:

-- MBO and Program Evaluation Unit to provide (i) staff support and follow-up to the President's MBO system (including investigation of cross-cut analyses), (ii) program evaluation, and (iii) the institution of early warning systems.

-- Budget and Financial Concepts Unit to (i) analyze the capital aspects of the budget and (ii) analyze the structuring of governmental investment transactions (e.g., in credit, real estate, ADP, R&D, etc.).

-- Government Organization and Internal Controls Unit to review existing organizational provisions and monitor and provide follow-up so as to assure implementation of internal controls.

-- Federal Personnel Reform Unit to work with OPM and others on Federal Civil Service and other personnel reform.

We endorse the House Committee action which will provide $44.9 million which would provide an additional 18 positions. The additional 18 positions would be in the following areas:

Management

o Inter-Governmental Unit to provide for closer liaison with state and local government.

o President's Council on Integrity and Efficiency, President's Council on Management Improvement, and the Chief Financial Officers Council Executive Secretariat.

Office of Information and Regulatory Affairs (OIRA)

o Branch Chief Information Technology Management Branch. This position is currently vacant due to funding constraints.

o Desk Officer/Analyst in Human Resources and Housing Branch to work on Internal Revenue Service issues.

Natural Resources, Energy and Science (NRES)

o Budget examiner for NASA, with particular emphasis on space transportation and technology and to provide liaison to the National Space Council.

o Budget examiner in Environment Branch for regulatory matters, pollution prevention, ozone depletion, and other global environmental issues.

Economics and Government (EG)

- Senior analyst to monitor, and provide OMB policy input for, implementation of savings and loan legislation.
- Senior analyst to assist in the development of drug policy and evaluate and monitor budget formulation and execution across agencies in connection with the implementation of drug programs.

Human Resources, Veterans & Labor (HRVL)

- Two budget examiners for the Health and Income Maintenance Division to assist budget examination and monitoring in the income maintenance, health financing and social services branches.

National Security & International Affairs (NSIA)

- Chief, Navy Branch to provide leadership to budget formulation and execution for the Navy and Marine Corps (the deputy head of the National Security Division of NSIA currently functions as Navy Branch Chief due to staff constraints.)
- Intelligence budget examiner to evaluate and monitor programs, analyze policy issues, and coordinate legislation, testimony and reports.

Legislative Reference Division (LRD)

- One legislative analyst to review Executive Branch proposed legislation, monitor legislation proposed in Congress and prepare memoranda to the President on enrolled bills.

Legislative Affairs (LA)

- Legislative assistant to facilitate increased communications with Congress.

DeConcini: How was the decision made to assign the increased staff to the various divisions?

Response: During the 1980's, OMB's workload has increased significantly as a result of the Gramm-Rudman-Hollings law and other legislation. OMB's limited resources have been dedicated to these demands, and, as a result, the management side of OMB has decreased from 79 FTE in 1981 to 46 FTE in 1989. The increased level of funding is necessary to deliver the kind of leadership that is needed in the oversight of the management of the Executive Branch. The recent findings of mismanagement at HUD underscore the need for OMB to have the resources to exercise proper oversight responsibilities within the Executive Branch. We cannot now assure Congress that OMB can properly fulfill the responsibilities of the office if additional resources are not provided. Based on these facts and the Director's observations over the past seven months, the Director made the allocation.

DeConcini: What additional work will be accomplished in each division with the proposed staffing increase?

Response: Under the revised Bush Administration request for 17 additional positions, all 17 positions would be applied to the Management area for the following:

- MBO and Program Evaluation Unit to provide (i) staff support and follow-up to the President's MBO system (including instigation of cross-cut analyses), (ii) program evaluation, and (iii) the institution of early warning systems.
- Budget and Financial Concepts Unit to (1) analyze the capital aspects of the budget and (ii) analyze the structuring of governmental investment transactions (e.g., in credit, real estate, ADP, R&D, etc.).
- Government Organization and Internal Controls Unit to review existing organizational provisions and monitor and provide follow-up so as to assure implementation of internal controls.
- Federal Personnel Reform Unit to work with OPM and others on Federal Civil Service and other personnel reform.

If the additional $1 million as included in the House Committee bill is provided, OMB would be able to fund 18 additional positions. This increase would enable OMB to staff the remaining MGMT positions plus much needed positions in the following areas:

Management

- Inter-Governmental Unit to provide for closer liaison with state and local government.
- President's Council on Integrity and Efficiency, President's Council on Management Improvement, and the Chief Financial Officers Council Executive Secretariat.

Office of Information and Regulatory Affairs (OIRA)

- Branch Chief Information Technology Management Branch. This position is currently vacant due to funding constraints.
- Desk Officer/Analyst in Human Resources and Housing Branch to work on Internal Revenue Service issues.

Natural Resources, Energy and Science (NRES)

- Budget examiner for NASA, with particular emphasis on space transportation and technology and to provide liaison to the National Space Council.
- Budget examiner in Environment Branch for regulatory matters, pollution prevention, ozone depletion, and other global environmental issues.

Economics and Government (EG)

- Senior analyst to monitor, and provide OMB policy input for, implementation of savings and loan legislation.

- Senior analyst to assist in the development of drug policy and evaluate and monitor budget formulation and execution across agencies in connection with the implementation of drug programs.

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- Chief, Navy Branch to provide leadership to budget formulation and execution for the Navy and Marine Corps (the deputy head of the National Security Division of NSIA currently functions as Navy Branch Chief due to staff constraints.)

- Intelligence budget examiner to evaluate and monitor programs, analyze policy issues, and coordinate legislation, testimony and reports.

Legislative Reference Division (LRD)

- One legislative analyst to review Executive Branch proposed legislation, monitor legislation proposed in Congress and prepare memoranda to the President on enrolled bills.

Legislative Affairs (LA)

- Legislative assistant to facilitate increased communications with Congress.

DeConcini: Why is this work necessary?

Response: The work is necessary and has been brought on from both Presidential requirements and congressional mandates. Funding these positions will enable OMB to provide adequate support to the President and Congress for budget and management related matters.

DeConcini: Can you provide for the record an explanation of each of the increases, by amount, in your 10 program activities and tell us why these increases are necessary?

Response: These amounts reflect the personnel allocation described earlier as well as a prorata share of shared costs such as telephones, printing, space, etc.

TRAVEL

DeConcini: Your FY 90 Budget proposes to increase staff travel by $30,000 over the FY 89 enacted level of $320,000. Your justification states this increase is necessaryto fund the travel of new examiners. Is the increase in travel directly related to the proposed increase in staff?

Response: The Reagan budget request for FY 1990 has been revised. The new Bush budget request for 1990 is the same request level as FY 1989.

DeConcini: How often do existing budget examiners travel to the field to review projects and what is the average annual travel cost for each examiner.

Response: The average travel for each employee, based on FY 1988 data, is $579. However, current funding does not allow for all examiners to travel on an annual basis.

DeConcini: Can you provide the committee with a few examples of the types of projects which were reviewed through examiner travel and why the travel was necessary?

Response: The following are a few examples of projects reviewed by examiners:

-- Visit and meet with Refugee Resettlement Regional Offices in Dallas, Texas

-- Visit Hazardous Waste Incineration Site in Houston, Texas

-- Attend seminar on the carbon dioxide/global warming issue in New York

-- Visit Indian health service facilities in the Navajo Nation in Albequerque, New Mexico.

OMB has always made it a priority to have budget examiners visit project sites. In our view both OMB and the agency reviewed by the examiner will benefit from the knowledge the examiner gains on a site visit. The examples listed above show just a few of the trips taken during FY 1988 to enhance the examiners knowledge of the accounts he/she is responsible for.

DeConcini: Can you also provide the Committee with your proposed allocation of travel money by program activity for fiscal year 1990?

Response: The following is the planned distribution of travel funds in FY 1990:

Budget Review Division	$16,000
National Security & International Aff.	$59,000
Economics and Government	$32,000
Natural Resources, Energy, and Science	$66,000
Human Resources, Veterans and Labor	$17,000
Director's Office 1/	$24,000
Management	$20,000
Information and Regulatory Affairs	$12,000
Privatization Office	$ 3,000
Central Fund	$71,000
Total	$ 320,000

1/ The Director's Office includes the following components: the Office of the Director, External Affairs, General Counsel's Office, the Administration Office, the Office of Legislative Affairs and the Office of Economic Policy.

Rental Payments

DeConcini: Mr. Director, your justification states that an increase of $273,000 is needed for OMB to fund increased costs of rental space from GSA. Your justification further states that the increase reflects a one-time adjustment due to a space reconciliation survey for the Executive Office of the President. What specific amount of this increase is due to space reconciliation versus the normal inflationary adjustments in rent from GSA?

Response: The Bush budget request for FY 1990 is the same as the original submission. Of the $273,000 increase, approximately $82,000 is a result of higher rates for office space. Office space went from $28.35/sq.ft. in FY 1989 to $28.83/sq.ft. in FY 1990. The remaining $191,000 is due to the space reconciliation conducted by GSA and the Office of Administration.

OTHER SERVICES

DeConcini: Your FY90 Budget proposes a reduction of $150,000 in "other services". Your justification, however, states that this net amount includes a $400,000 transfer to the Office of Administration to support "Budget Automated Data Processing functions in common with the Office of Administration." Does this account contain any non-recurring costs from FY89? If so, please provide a listing of those projects by amounts?

Response: OMB does pay for repair and alterations of the buildings, through GSA, which are classified as non-recurring. Non-recurring in the sense that you would not anticipate doing the exact same job next fiscal year. These costs cover such things as moving furniture, painting walls, repairing lights in the buildings, moving electrical outlets, etc..

DeConcini: Why is your proposed FY90 budget for this object classification increasing when it should be decreasing as a result of the $400,000 transfer?

Response: The proposed FY 1990 budget for the Other Services object class decreases from the previous year by $150,000 (from $3,200,000 in FY 1989 to $3,050,000 in FY 1990). This has been brought about by two events. First, as you noted, $400,000 was transferred from OMB to the Office of Administration for automated data processing support. Secondly, an increase of $250,000 has been requested in this object class to fund OMB's Budget and Financial Information System. Everything else in Other Services remains constant.

DeConcini: What items are increasing (by amount) and which are new projects proposed for initiatives in FY90 under this classification?

Response: The only new project in the Other Services object class is for funding the Budget and Financial Information System.

EQUIPMENT

DeConcini: Your FY90 budget proposes an additional $350,000 over the FY89 enacted level of funding for equipment. Your justification states that this amount includes an additional $250,000 for equipment purchases for the Budget and Financial Information System and another $100,000 for the replacement of obsolete office equipment, communications hardware and software, and related equipment. Can you please provide the Committee with a detailed explanation of the new equipment to be replaced, by amount, and explain specifically why each piece of equipment is needed.

Response: The OMB revised request is for $175,000 above the $500,000 1989 enacted level for a total of $675,000. This increase, plus an additional increase of $75,000 from the base, for a total of $250,000 is associated with the Budget and Financial Information System.

DeConcini: Your testimony states that you are requesting $500,000 for computer upgrades in FY 90. Where is the additional $250,000 reflected in your budget?

Response: The remaining $250,000 will be funded out of the other services object class.

DeConcini: Does this account contain any non-recurring costs from FY 89? If so, please explain these costs which will non-recurr in FY90.

Response: This account provides a base from which OMB can continue to upgrade office and reproduction equipment as well as data processing equipment. The same equipment may not be purchased each year, however it allows OMB to plan on updates for older equipment and meet requests for new equipment.

FY89 SUPPLEMENTAL/ACROSS-THE-BOARD REDUCTION FOR OMB

DeConcini: The FY 89 supplemental funding request by President Bush proposes a $420,000 reduction for the Office of Management and Budget. What specific OMB activities will be curtailed in FY 89 if this across-the-board reduction is agreed to?

Response: The Office of Management and Budget will suspend expenditures for travel, supplies and equipment. In addition, OMB will postpone hiring actions to achieve the necessary savings.

VA MEDICAL CARE SYSTEM

DeConcini: How would your office characterize the current fiscal situation confronting VA'S Medical Care System?

Response: Today, the VA medical care system is in need of additional resources. To address this problem, the Administration has requested a supplemental appropriation of $303 million in FY 1989 for increased staffing as well as non-personnel activities. Specific areas where increased resources are necessary include outpatient care, community nursing home care, equipment for new facilities, medical supplies, and prosthetic appliances. Another $11 million would be available for direct medical care if the Administration's proposed changes to VA's beneficiary travel program are enacted.

DeConcini: Are you aware of the testimony of VA health-care professionals and managers before the Veterans' Affairs Committee in September, 1988 and April, 1989, that VA's health care situation is in a crisis - the worst that they have ever seen?

Response: We are familiar with the testimony offered at these hearings, as well as the relationship between the medical care budget and quality health care for veterans. Enactment of the President's proposed increase of $303 million in FY 1989, supplemental funding for the VA medical care program, as well as the proposed changes in beneficiary travel, would provide fiscal relief in those areas where current resource levels are not sufficient.

DeConcini: Each year for the past five fiscal years, OMB has imposed an arbitrary one-percent reduction in VA health-care staffing. This cut (which was proposed to be $69 million for FY 1990) is based on assumed savings from productivity and are not based on any actual plans for increasing productivity. Do you support such arbitrary reductions in VA health-care staffing funds?

Response: VA has demonstrated a consistent ability to improve productivity while maintaining quality care in the VA medical care system. In addition to the normal professional growth of staff through experience, examples include the shifting of certain inpatient treatments to outpatient care, the reduced lengths of stay at VA hospitals, and investments in new and better medical equipment. While no savings have been explicitly budgeted for these or other activities, the budget request has included a one percent savings. The intent is that VA would keep the additional savings that would be generated and devote them to priority areas.

DeConcini: You plan a thorough review of the VA health-care system. If so, what are the goals of that review and do they include ensuring the maintenance of a strong health care system and meeting the congressionally established staffing and workload levels?

Response: We plan to continue our thorough review of the VA medical care system, as we discussed in the FY 1990 OMB budget justification to Congress. It reflects our continuous, year-round efforts in examining the VA medical care program with the VA, and not a specific or unique project. When reviewing this program our primary goal is ensuring that quality medical care is available to veterans who have service-connected disabilites, lower incomes, or other special circumstances (e.g., former POWs) as required by law. Other issues requiring special attention at this time include AIDS, drug rehabilitation, and homelessness. Within the constraints of available resources, OMB and the VA attempt to meet congressional priorities and the needs of veterans.

DeConcini: How do you plan to ensure that the funding levels you recommend are adequate to maintain the quality of VA health-care programs?

Response: The Administration has taken action to ensure the quality of care at VA medical facilities by requesting a FY 1989 supplemental appropriation of $303 million. Another $11 million would be made available for direct medical care if Congress approves the Administration's proposed changes in the VA's beneficiary travel program. These additional resources will support greater staffing levels and increased community nursing home care, as well as purchases of equipment and medical supplies.

DeConcini: It is critical that whatever is done for VA in an FY89 supplemental appropriation, that these costs are annualized for the full FY 1990 fiscal year. When may we expect a VA FY 1990 supplemental request to go with your FY 1990 budget?

Response: As you know, the Administration has submitted to the Congress a FY 1989 supplemental request for VA medical care totaling $303 million. During our continuing negotiations with the Congress over the FY 1990 budget, the Administration will continue to work closely with the Congress to secure a funding level for VA medical care that supports a strong health care system for our nation's veterans.

A-76 PROGRAM

DeConcini: A February 12, 1989 article in the New York Times cited OMB as claiming over $800 million annual cost savings from the Government's A-76 program. To calculate savings, we need to know what it cost to perform a function originally. As you know, most government organizations do not have cost accounting systems that can tell management the total cost of performing a function such as grounds maintenance or installation support. In order to calculate savings, it would be necessary to estimate the cost of living to work with the original organization. For example, DOD uses a formula to estimate the "original cost" of performing a function as a basis for calculating the savings resulting from an A-76 study.

What is the government-wide proposed savings for FY90 as a result of A-76?

Response: The President's budget for FY 1990 contains savings in the amount of $167 million.

DeConcini: Have the A-76 estimates of savings provided by OMB in the past been realized?

Response: For most agencies OMB projected budget savings have not been realized. Only four agencies exceeded the savings estimates in the FY 1989 budget. They were: the Corps of Engineers - budget $2 million - actual $4 million; Defense - budget $70 million - actual $110.5 million; Labor $.2 million - actual $.6 million; Veterans Affairs - budget $.5 million - actual $3.2 million. This is due to the fact that agencies have not achieved the annual study goals on which the budget savings estimates are made. However, when A-76 competitions are completed the agencies always exceed the savings per FTE rate used in the budget estimates.

DeConcini: Many agencies state that they cannot save the levels of funding assumed by OMB as a result of A-76 activities. So, what will happen if the agencies, whose budgets have been reduced, do if they cannot realize the savings -- just take it out of program activities?

Response: OMB reduces the agencies budgets by 37.5 percent of the expected savings based on the annual study goal. Expected savings are calculated by multiplying the average savings achieved per FTE studied since 1981 times the number of FTE in the study goal. If an agency has A-76 savings rates significantly different from the government-wide average, the agency's rate is used. This allows agencies an incentive to meet the goals, since they can retain 62.5 percent or more of the expected savings if they meet or exceed the annual study goal. It also allows for considerable slippage in the program without penalizing the agencies.

The objective of the budget reductions is not to penalize agencies. Rather, it is to encourage them to test the market place for more cost effective ways to do business. Competition works in the Government, as it does in the private sector to improve the quality of service and reduce costs. We ensure that agencies are not penalized through the budget reductions by stating in OMB Circular A-11, "Preparation and Submission of Budget Estimates" that OMB will seek restoration of any difference between budget and actual savings if the agency has met the study goal. If an agency fails to aggressively seek savings through competition, then it must absorb the budget savings in those areas it deems appropriate. As stated in the answer to the previous question, when an agency completes A-76 competitions the per FTE savings rate always exceeds the rate used for budget purposes. Please refer to a later question for the reasons we believe that the study goals are reasonable.

DeConcini: Have you ever discussed with DOD the formula it uses to calculate "original costs" of functions? How does this formula work?

Response: OMB staff has informally discussed with DOD their formula to calculate "original costs" and urged the department to require the activities to determine actual original costs where possible. DOD believes that the formula is necessary to show changes during the life of the study such as additions/subtractions from the original number of people to be studied. The DOD formula is as follows:

INDEX A = MEO (Most Efficient Organization)
BASE LINE (Announced Authorized Positions At Start of study)

INDEX C = WINNING BID
IN-HOUSE BID X INDEX A

APPROXIMATE ORIGINAL COST = WINNING BID
INDEX C

DeConcini: In your estimation, is this formula reasonable?

Response: We are not convinced that original costs cannot be calculated with reasonable accuracy by the individual activities undergoing study. However, Defense believes that the formula delivers the best estimate of original costs. They argue there are not adequate cost accounting systems available among the services to derive original cost data in a timely manner without resorting to the formula. However, we believe that where adequate cost data are available, to estimate original costs, these should be used. GAO is currently conducting a full analysis of the formula as to its reasonableness and accuracy. We will await their findings before discussing the matter further with Defense.

DeConcini: Should all agencies be required to use this formula, or would you propose a better method to estimate "original costs"?

Response: A formula should be used only where accounting systems do not provide accurate estimates of original cost. However, A-76 studies primarily compute manpower, supplies, materials and equipment costs. The activity under study should know, with reasonable accuracy, its costs when it starts the study. A beneficial result of the A-76 process is that at the end of a study, estimates of the costs involved in managing and operating the functions have been formulated and are readily accessible. These costs can be compared from year to year for budgeting purposes and can be compared to costs in other similar organizations.

DeConcini: GAO and military service auditors have shown that these savings figures are based on projections made at the time government bids are compared with private sector bids, and are not adjusted to reflect costs during the actual performance period. These auditors have also found many instances where costs have escalated after conversion to contract. This leads to the following questions:

Why does OMB continue to report inflated savings figures?

Response: We are aware of the reports on individual studies that show that costs have escalated after contract award. There are several reasons for this escalation: normal inflation, workload increases, poorly written performance work statements, and large Department of Labor wage determinations. However, studies have shown that average cost increases have tended to be relatively minor.

In 1984 and 1986 the Department of Defense reported to Congress on contract cost growth. The first report covered 235 contracts awarded between October 1980 and October 1982. The second report covered 131 contracts awarded between October 1983 and October 1984. The results indicated that there was a reduction in overall projected savings from 24 percent to 22 percent in the first report and from 36 percent to 33 percent in the second report. However, while the contract costs were escalated by both inflation and workload increases the comparable government costs were only escalated by inflation. It was not possible to estimate what the Government would have charged for workload increases. In 1986 OMB also reported to Congress on the cost growth on 609 A-76 contracts awarded by the civilian agencies between 1982 and 1985. Actual price paid was .2 percent less than the award price.

The DOD Inspector General is conducting a government-wide study on the A-76 program at the direction of the President's Council on Integrity and Efficiency. A preliminary finding is that the disciplined management system established by the performance work statement with its formal quality assurance system is holding down cost increases on contract operations. However, this is not the case on in-house operations that have won cost comparisons. The management system is not being used to the same extent when the government "wins". We must wait for the final report to determine the extent of the problem.

DeConcini: What level, if any, of A-76 post-decision data collection and analysis are you doing? Is there a government-wide management information system in place to capture post-decision data?

Response: Until the A-76 tracking system required by Executive Order 12615 was installed last fall, OMB did not collect post-decision data on individual studies. Our analysis of the program was based on the general studies of cost increases cited above and our monitoring of the number of contracts returned to in-house operation. The circular and the Federal Acquisition Regulation require the contracting officers closely to monitor contract performance and cost and to recompete any contract where performance is unsatisfactory and/or cost becomes unreasonable. The circular requires the government to provide staff to monitor these contracts. The cost of this monitoring is charged against the contractor in the cost comparison. It approximates five (5) percent of the contract price. Very few contract operations have been returned to in-house operation indicating that, except for the few "horror stories", contracts are remaining cost effective.

The new A-76 tracking system records the results of every cost comparison conducted beginning with FY 1988. The system requires that the actual cost of the operation for the first three years after the study be reported. The data will only alert OMB to instances of rapid cost escalation. To determine the cause and whether it was justified or not will still require on-site review by an oversight activity such as the IG or GAO.

DeConcini: If you are doing post-decision analysis, what are you doing with the results? Are they being shared with the Executive and Legislative Branches?

Response: We have shared whatever data we have had with both branches and will continue to do so in the future. One area that we will closely review in the near future is the cause of the occasional very large Department of Labor wage determinations that come after the contract is awarded.

DeConcini: Between 1981 and 1987, OMB did not require DOD to return dollar savings to the Treasury (almost all of the reported $800 million savings came from DOD). Also during this period, DOD's authorized personnel ceiling was not reduced as a result of the A-76 program. Moreover, the costs to do these A-76 studies, which can run up to several thousand dollars per position studied, are not offset against projected savings.

Given these facts and coupled with the lack of post-decision analysis, does OMB, DOD, or anyone else have the slightest idea what the actual savings have been, or even whether there have been any savings at all?

Response: In 1981, at the request of Congress, the Director of OMB agreed not to reduce the DOD budget by A-76 savings. Congress also removed civilian end strength ceilings for the Services, allowing them to manage civilian personnel strengths based on a total dollar amount.

The savings from the A-76 program were allowed to be reprogrammed to other priority areas. The savings from all other internal efficiency efforts were treated the same. Savings from all productivity improvement efforts were used to increase the amount of defense for the budgeted dollars.

In the FY 1989 budget, Congress included A-76 reductions of $78 million. DOD reported savings of $110.5 million. The President's FY 1990 budget contains A-76 savings of $79 million and 7,954 FTE.

The savings from the A-76 program are real and we know what they have been. When an activity completes an A-76 review, that activity is operated at less cost whether the government or the private sector "wins" the competition. The saved resources can be used on other projects. Except for activities under A-76 review, OMB does not oversee expenditures at the activity level. We do not know to what other activity the saving were reprogrammed.

DeConcini: If there are any savings, where do they go? Are they returned to the Treasury or lost by allowing agencies to reprogram them for other uses?

Response: Projected savings incorporated in the budget for A-76 competitions reduce the treasury outlays. The FY 1989 budget contained projected A-76 savings of $148 million. The agencies reported actual savings of $134.2 million. The four agencies that reported more savings than budgeted were allowed to reprogram those savings. We believe that allowing the agencies to keep some of the A-76 savings acts as an incentive to pursue the program. The A-76 program is designed to challenge "the way the government always does it" and seek more innovative and flexible approaches to the management of government resources.

DeConcini: Why doesn't OMB require DOD and other agencies to capture the costs associated with doing cost studies and offset them against estimated savings?

Response: It is our opinion that government managers are hired specifically, not as an extra duty, to clearly define the organizations's work requirements, to set standards of performance, to monitor employee and organization performance to continually look for ways to improve efficiency and effectiveness of the operations for which they are responsible and to operate in the most cost effective manner possible. To help managers meet these basic management responsibilities the Government employs over 24,000 journeymen (GS-11 and above) management and program analysts. An organization that has met the management standards listed above will not encounter any new management requirements in an A-76 competition.

We do not charge the study costs against the savings as they are considered to be a normal cost of doing business.

DeConcini: In the President's Management Report for 1990, it was stated (p.3-119) that in 1988, A-76 competitions covered over 19,000 positions and estimated annual savings totaled over $133 million. This works out to about $7,000 in estimated savings per position competed. Yet on the previous page in the same report, it was stated that "on average, the government saves $9,300 for every position it competes."

Which figure is correct -- $7,000 or $9,300, and why is there a difference?

Response: When the Management Report was written, the agencies/departments had provided data on the FY 1988 A-76 competitions which worked out to

$7,000 in estimated savings per position competed for that year. The $9,300 figure cited in the report is the historical rate for A-76 competitions completed from 1981 through 1988. We use the historical figure as the basis for budget projections.

DeConcini: When calculating "savings" to take from an agency's budget, what dollar figure per position does OMB use?

Response: For most agencies we use 37.5 percent of the government-wide average FTE savings rate. The rate used for the FY 1989 and FY 1990 budgets was based on the studies from 1981 through 1987. FY 1988 data were not available from all agencies. The rate was $9,666. Thirty seven and a half percent was $3,625.

For agencies that have A-76 savings history that differs significantly from the average, we use 37.5 percent of their experience. For example, the Corps of Engineers experience reflects an FTE savings rate of $16,500. The budget rate for FY 1990 is $6,270. Each year we will adjust the rate as necessary for all agencies.

DeConcini: OMB has been setting targets for the past several years establishing the number of positions each agency is expected to study under A-76. According to a recent GAO report (GGD-89-6), agencies have not been achieving their target. DOD, which accounts for about 80 percent of all A-76 activity, only achieved about half of its target. Under Executive Order 12615, November 19, 1987, OMB has set even higher targets than before.

In view of this, how can agencies meet these new targets when they were not able or not willing to meet the earlier targets?

Response: We believe the goals are ambitious. However, agencies need to establish the management commitment and dedicate the resources necessary to meet the goals. The Executive Order requires the agencies to conduct studies at the rate of three percent of their population's each year until all identified commercial activities have been competed. The Government wide goal for FY 1989 is 54,578 FTE for the 22 large agencies and departments we monitor. If we use a very conservative estimate that one journeyman analyst should be able to review, make management improvement suggestions and document the findings on 20 FTE a year, then 2,729 FTE must be dedicated to the program government-wide. This is 11 percent of the journeymen analysts. The DOD goal is 29,644, but DOD has had over 1,700 FTE (8 percent of its analysts) dedicated to the A-76 program for a number of years. On average, each of these A-76 resources must help management study 17 FTE in a year.

This is not a unreasonable commitment of resources to dedicate to a program that achieves savings in the range of 30 percent. The National Oceanic and Atmospheric

Administration has recorded its costs to do A-76 studies. Through 1987 it reported $4 in first year savings for every $1 in study cost and an estimate of $23 in total savings for every $1 in study costs. A well managed attempt to seek savings through competition appears to be worth the cost.

DeConcini: If you know these targets are unrealistic, doesn't that invite agencies to ignore them?

Response: The targets are not, in our opinion, unrealistic.

DeConcini: If you cut agencies' budgets up front, based on anticipated A-76 savings, how do these cuts differ from any other budget cut and what assurance is there that agencies will do the targeted A-76 studies?

Response: Competition in the Government works as it does in private industry to improve quality and reduce costs. Agencies that conduct studies achieve savings far in excess of the budget formula. These revisions are like all other budget reductions in that they provide goals for the agencies to meet, but they do not assure that the agencies will meet them.

DeConcini: According to the aforementioned GAO report (GGD-89-6), A-76 managers believe the study process is time-consuming, difficult, disruptive and threatening to functional managers and employees. Employee attrition often increases while morale and productivity decrease. OMB responded to GAO that while the process may be burdensome, as described, this did not mean the requirements (that managers define the work and establish performance standards) are unreasonable.

While it is difficult to disagree with your philosophic argument for good management, couldn't a more productive and humane process be devised to achieve the savings goals without the turmoil associated with the present process?

Response: The competitive aspects of the program produce significant improvements in output, quality and cost. An average "win" by the private sector reduces costs by 35 percent, and an in-house "win" reduces costs by 17 to 20 percent. Without the competition, the same process only reduces current costs by an average of six percent. Other productivity improvement efforts which do not incorporate competition or the A-76 management review process average .011-1.6 per cent savings.

Changing the way the Government does business does result in employee turmoil as fewer employees are needed in the activities competed. However, we believe the agencies have been good employers, for the most part, and protected the welfare of their employees as much as possible. From 1981 through 1988, the A-76 program has eliminated approximately 7,000 Federal positions a year. This is only .05 percent of the average yearly government-wide attrition rate of 8.7 percent (121,800

FTE). A May 1988 Report by the National Commission for Employment Policy states 94 percent of the affected employees found other Federal jobs or retired voluntarily. Of the remaining six percent, approximately half, or three percent were hired by private contractors under the A-76 "right of first refusal" clause.

The Federal government has also established a comprehensive network of programs and services available to displaced Federal employees. They include:

- Giving priority consideration to affected workers for positions within the agency.
- Freezing vacant agency positions whenever a reduction-in-force is imminent.
- Enrolling affected employees in OPM retraining programs, the Interagency Placement Assistance Program, and/or the Displaced Employees Program.
- Granting administrative leave and other assistance for job search efforts by affected workers.
- Working with contractors to match job qualifications of affected workers with contractor's job vacancies.

In addition, we have been exploring a variety of incentives which would further reduce the adverse impact on employees. They include FED CO-OP and other employee buy-out options which give affected employees an equity stake in a contracted function, more effective placement of displaced employees including a mandatory government-wide placement system, sharing savings with employees, and granting severance pay to employees who accept jobs with winning contractors. We will continue to work with agencies and the Office of Personnel Management to implement these incentives and new ones as they surface.

DeConcini: What incentives do managers have to subject themselves and their employees to this difficult and emotional process, other than the sledgehammer approach to contract out and OMB's current approach of cutting budgets up front?

Response: We do not believe that the A-76 program is unfair. A-76 does not mean that functions are automatically contracted out. A-76 means that there is competition between in-house and private sector firms to win follow on business. A manager's sense of responsibility for accomplishing the mission in the most cost effective manner possible should be an incentive to be competitive. There is no reason why Federal organizations can't be more cost effective than contractors' organizations. Properly used, competition can make a dramatic difference. Our experience, as supported by the Logistics Management Institute report for DOD "How Winners Win", published in September 1984, indicates that employee morale and productivity are improved when employees are subject to a set of employee goals and work requirements.

OMB has offered to share up to 62.5 percent of the savings with the agency. This provides discretionary funds which can be shared with employees or applied to other productivity enhancing initiatives. The employee incentives described in the answer to the previous question also serve to reduce the emotional reaction to the process.

DeConcini: Given that on one hand the process is emotional and controversial, and on the other, that roughly half of all A-76 competitions are won by the in-house government work force, why not set savings targets for activities scheduled to undergo A-76 studies (the targets to be based on historical data from past studies of similar functions) and if the governments' most efficient organization achieves the target, no further steps towards soliciting contractor bids would be required? Only if targets were not achieved would solicitation occur, and a cost comparison competition be done.

Response: The adoption of the above approach would mean that the benefits of competition would be lost. It is our opinion that it is the challenge posed by competition that achieves the most innovative, flexible and cost effective management approaches to accomplish the work.

POSTAL SERVICE

DeConcini: Mr. Director, the budget agreement assumes spending reductions of $1.3 billion, using the OMB estimates, for Federal Pension and Postal Service Reform. Can you tell us what assumptions you are making to achieve these spending reductions?

Response: The budget negotiators assumed $500 million in on-budget savings from reforms associated with taking the Postal Service Fund off-budget. The Congressional Budget Resolution, consistent with the Budget Agreement, reconciles $1.1 billion (using the CBO estimate) in savings from Federal pension and Postal Service reforms to the responsible authorizing committees. The resolutions assume $600 million in savings from Federal pension/lump sum withdrawal reforms (OMB staff estimated savings from these proposed reforms were about $200 million greater than CBO estimates).

The Budget Agreement did not specify what type of Postal reforms should be enacted. However, many reform options are available for achieving these savings. For example, the Postal Service does not pay the full retirement costs for current employees, nor does it pay health or pension COLA costs for current annuitants who retired from the Postal Service. Certain mailers continue to receive preferred rates subsidized by the Federal Government. The Federal Government also pays excessive overhead to the Postal Service for its mail and lends funds to the Postal Service at below market interest rates.

The Administration is willing to negotiate with Congress on the package of Postal reforms to implement savings required by the budget agreement.

DeConcini: There is also a Postal Service adjustment of $2.2 billion from the budgetary treatment of the Postal Service. You are taking the Postal Service off-budget, which I agree with. But what will happen to revenue forgone?

Response: Revenue Forgone (RF) appropriation is a separate discretionary program that remains on budget under the Budget Agreement and Budget Resolutions' assumptions. Only the Postal Service Fund account has been proposed for off-budget treatment.

DeConcini: Can you tell us what impact taking the Postal Service off-budget will have on the Postal Service Capital Improvement Program?

Response: Removing the Postal service fund from the budget totals does not affect Postal's capital investment program. The level of Postal's capital commitments are at the sole discretion of Postal management, subject to the approval of the Postal Board of Governors and availability of financial resources.

INTERNAL REVENUE SERVICE

DeConcini: On the IRS budget in the FY89 supplemental, you are proposing to transfer $72.5 million from the "Examinations and Appeals Account and into "Processing of Tax Returns" and Taxpayer Services". You then propose to "hit" exams and appeals again by the across-the-board reduction which totals an additional $18.7 million cut for this account. Mr. Director, I have to believe this reduction will have a significant impact on the projected revenue stream from audits this year. Did your budget examiners take the projected revenue loss into consideration when they recommended this reduction? If so, what did they conclude?

Response: Yes, they did. The revenue effect of the proposed reduction for the "Examinations and Appeals" (E&A) Account is uncertain, depending on whether the proposal is viewed in isolation or whether the proposal is considered in the context of all other adjustments affecting this account.

For example, full funding was not appropriated for the 4.1% 1989 pay raise. The IRS staffing level is not dropping to target as quickly as expected because attrition has slowed, in part a response to recent hiring restrictions within the bureau. IRS has also undertaken several programmatic adjustments throughout the year in support of judicious tax administration. These adjustments have required absorptions in all IRS appropriations, including the E&A account. Some could be expected to have a positive impact on revenue receipts while others may reduce receipts.

Overall, the proposed reduction in the E&A account is expected to have minimal revenue impacts.

DeConcini: I have heard, Mr. Director, that the revenue loss could be as high as $68 million from this across-the-board cut for IRS. Does it make any sense to you that we cut this program only to lose an additional $68 million from the general treasury?

Response: If the impact of the proposed reduction were viewed in isolation from any other adjustments, the Treasury might acknowledge a revenue impact of as much as $68 million. However, this one potential change cannot be viewed in isolation from the numerous other programmatic adjustments in support of judicious tax administration the IRS has made or plans to make in this account for 1989. As previously mentioned, some of these adjustments will increase enforcement revenues relative to the previous estimates made in the 1990 budget.

Overall, I believe that the variance from the enforcement revenue in the President's 1990 Budget would be minimal. I understand the Treasury Department concurs with that overall assessment as well.

IRS FY 1990 Shortfall

DeConcini: Again, on the IRS, Mr. Director, I have seen repeated news stories about the shortage at IRS this fiscal year. Testimony from former Commissioner Gibbs before the House Ways and Means Committee stated that IRS will experience an estimated $360 million shortfall this year.

I also understand that IRS requested supplemental funding of $170 million earlier in the year but that this request was denied by OMB. IRS already has a hiring freeze on, I understand. The additional across-the-board reduction in the "Salaries and Expenses" account would mean the furloughing of temporary employees who were hired for tax processing. Won't an additional cut in salaries and expenses have the reverse effect of what you are trying to establish with the transfer from Exams and Appeals to tax processing?

Response: No. The proposed reduction of approximately $1 million in the Salaries and Expenses (S&E) appropriation would have no revenue impact nor would it have any effect on tax processing activities. This reduction will not cause temporary tax processing employees to be furloughed.

The title of the S&E appropriation account is somewhat of a misnomer. The S&E account provides for overall planning, direction and management of the IRS and consists of the program activities of Executive Direction and Management Services. Funds for all tax processing activities are found in a separate appropriations account.

DeConcini: Can you tell us how serious the funding situation is at IRS and why their request for additional funding was denied?

Response: For 1989, IRS finds itself in the same situation as most federal agencies. It must absorb higher costs associated with the 4.1% pay raise enacted by Congress, the recent postal rate increase, upward adjustment in insurance premiums for federal employee health benefits and other operating cost increases.

IRS has the added burden, however, of absorbing these costs within a 1989 budget roughly $105 million below the President's request for this agency.

We expect IRS to cope with these unanticipated cost increases principally by slowing ADP development projects as Congress directed them to do, by deferring equipment replacement, reducing supply inventories and imposing a temporary hiring freeze.

The 1987 Bipartisan Budget Agreement stipulated that requests for 1989 supplemental appropriations should only be initiated in cases of dire emergencies. We do not believe the IRS situation constitutes such an emergency.

DeConcini: It seems to me that this cut will only exacerbate the situation for fiscal year 1990. Did your budget examiners consider the impact this reduction will have on the IRS in FY 90?

Response: The proposed 1.1% reduction in two IRS accounts - S&E and E&A - will not adversely effect the IRS in FY 1990, nor are these reductions inconsistent with the proposed IRS initiatives.

The 1990 budget for IRS proposes a $289 million increase to $5,484 million, a 5.6% increase over the 1989 level appropriated by Congress. An additional $59 million in tax enforcement initiatives will also be provided to IRS in 1990 as agreed upon in the Budget Agreement. This overall increase is substantially above current services and includes initiatives that would redesign and automate the tax processing system, improve IRS information services provided to taxpayers and increase revenue collections through expanded tax enforcement efforts. We feel this represents a reasonable commitment of resources to this agency in light of the deficit reduction progress required by Congress in the GRH Act.

IRS Transfer Authority

DeConcini: Another problem I have with the IRS proposed supplemental is that the IRS has general transfer authority to shift funds up to 4 percent between accounts. The $72.5 million is still less than the 4 percent transfer authority ($73.7 million). Why did you submit a supplemental request on this transfer when the total amount to be transferred from the "Exams and Appeals" account is still below the 4 percent authority?

Response: The proposed supplemental transfers, having a "zero-sum" effect, are requested simply to maintain higher than expected FY 1988 resource levels for tax processing and taxpayer services into FY 1989. This will ensure that funds appropriated for improving service continue to be used for that purpose.

As you indicated, the proposed transfer would have virtually exhausted IRS's available transfer authority for this account in 1989. The IRS and Treasury believed more flexibility was needed to address unanticipated emergencies later in the year. OMB agreed and believed this proposed action was appropriate for congressional review and would allow for a clear audit trail.

CUSTOMS SERVICE

DeConcini: In the FY 89 Treasury appropriations bill, the Subcommittee added 690 positions to the Customs Commercial Operations Programs to facilitate the movement of trade. The Across-The-Board cut for the customs service, totalling $7 million, would require customs to impose a number of reductions in the commercial operations program which would have the effect of reversing the increases given the agency by this subcommittee in fiscal year 1989. Not only will commerical activities suffer, but reductions will also have a direct negative impact on the revenue stream from merchandise user fees to the tune of $8 million. This reduction does not take into consideration the additional impact imposed on customs due to the proposed transfer for the financial management service postage cost increases.

Mr. Director, why should the Congress go along with the proposal contained in the President's FY 89 supplemental if it would have a negative affect on operations and reduce revenues to the general treasury?

Response: The 1989 Supplemental would reduce Commercial Operations by an estimated $8 million. Customs can take the proposed reduction without reducing commercial services by postponing acquisition and installation of equipment for its commercial data systems and deferring training and travel.

The current Customs' user fees is established in law on an ad valorem basis. Therefore, the reduction in Customs' commercial costs would not directly reduce the revenue from the ad valorem user fee.

ALCOHOL, TOBACCO AND FIREARMS

DeConcini: The across-the-board reduction for Bureau of Alcohol, Tobacco and Firearms amounts to $2.6 million in FY 89. If "ATF" were to implement this reduction, I am told they would have to impose a hiring freeze as of July 1 of this year. That freeze I understand, would mean the termination of 160 employees and a cancellation of recruitment for the positions Congress directed "ATF" to hire in the FY 89 appropriations bill. I am advised that the cost of the reductions-in-force, because they would all occur in the last quarter of the fiscal year, would outweigh the costs of the original across-the-board reduction. I am further advised that ATF would have to reduce the number of employees assigned to the special occupational tax compliance program and this would have a new impact on revenue collection of minus $5.5 million.

Again, Mr. Director, did your budget examiners consider this impact of the across-the-board reduction on ATF? I can't believe they really reviewed the effect of their actions or they most certainly would not have proposed a reduction which would have the reverse effect on the deficit because of reduced receipts to the General Treasury. Would you care to comment on this specific impact on the Bureau of Alcohol, Tobacco, and Firearms?

Response: The proposed reduction for ATF need not require termination of any current employees, and could be accommodated without affecting the revenue raising Special Occupational Tax (SOT) program.

For example, $2.8 million was provided for the purchase of a mainframe processor, associated hardware and software, and a secure communications and intelligence facility to house this equipment. It is our understanding that a requirements analysis for this equipment is scheduled to be completed by October, 1989 at which point a RFP will be issued. The contract is not scheduled to be awarded until June, 1990. It does not appear that any of the funds needed for this equipment will be obligated or spent during FY 1989. This purchase could be deferred to a later fiscal year.

IRS DRUG BUDGET

DeConcini: An item which is confusing in the Bush Budget is a proposed drug initiative for IRS in the amount of $56 million under Bush priorities. Can you explain what this $56 million will be used for?

Response: The $56 million is allocated as follows: $36 million is for criminal investigations involving money laundering and income tax evasion of drug traffickers, $15 million is for prosecution, and $5 million is for regulatory and compliance activities.

DeConcini: Are you increasing IRS' budget to reflect the new authorities for criminal investigations in the 1988 drug bill, or are you simply showing an amount that was already reflected in the Reagan budget which is a continuation of the programs being funded in FY 89?

Response: The $56 million represents a continuation of drug programs already funded in FY 1989. Additionally, the FY 1989 IRS budget contained $14 million for efforts related to Organized Crime Drug Enforcement Task Force participation which are contained in the Department of Justice Interagency Law Enforcement appropriation in FY 1990.

DRUG PROGRAMS

DeConcini: One of my Senate colleagues recently labeled President Bush's 1990 Budget as "Unorthodox and Confusing". As I have attempted to sort out the President's proposed budget figures for anti-drug programs, you can add me to the list of those confused. I have a document here from OMB that shows an increase of nearly $1 billion in budget outlays from FY 1989 to FY 1990 for anti-drug programs. But, I have another document from CBO that estimates the Bush Drug Budget as only a $344 million increase in budget outlays from FY 1989 to FY 1990. To illustrate the discrepancy between the OMB and CBO estimates, let's have a look at outlay estimates for the Drug Enforcement Administration (DEA). OMB estimates $526 million in outlays for the "DEA" in FY90, while the CBO estimates the DEA outlays at $413 million.

It appears to me that the Administration is simply playing the numbers game to come up with $1 billion in new funding. Can you explain why there is such a wide discrepancy between the OMB and CBO for drug program outlay estimates?

Response: The CBO estimates for FY 1990 include outlays associated only with new budget authority. OMB estimates include outlays associated with both new budget authority and budget authority from prior years. Therefore, the estimates are not comparable.

DeConcini: I have a question regarding a January 24th letter sent to President Bush by Senator D'Amato and myself. In this letter we offered several suggestions on methods to fund the remainder of the 1988 Anti-drug Abuse Act. I have not yet received a reply on our suggestions. Let me read one paragraph from the letter that pertains to OMB: In a September 30, 1988 letter to the Senate Budget Committee, the Director of OMB estimated that an additional $123 million to enable the IRS to hire 2,827 tax enforcement personnel would yield an additional $206 million.

On March 21, 1988, IRS Commissioner Lawrence Gibbs testified before the Treasury Appropriations Subcommittee that IRS estimated that an additional $286 million dedicated to an IRS revenue-raising initiative for Fiscal Year 1989, would have produced $1.12 billion, and for FY 1990, about another $2.22 billion.

With the budget crisis we are faced with I would think the proposed IRS initiative, even if it only raised an additional $200 million, would be well worth undertaking.

Why has OMB not given IRS the personnel to go ahead with this effort?

Response: New revenue and fee receipts were an integral part of the Budget Agreement negotiations between the Administration and Congress. While the Bush Budget for 1990 did include $55 million to generate $318 million in new gross tax receipts, we recognized that there was support for larger revenue initiatives to fund new drug control efforts and other high priorities.

Consequently, we added an additional $59 million in BA above the Bush Budget in the Budget Agreement to generate another $150 million in 1990 revenues. This represents the Administration's current best estimate of the budget authority required to yield the agreed upon revenues.

We are reluctant to fund revenue initiatives beyond those contained in the Bush Budget and the Budget Agreement. Our principal concerns with any additional revenue initiatives are similar to those enunciated by GAO last year in their evaluation of new tax law enforcement efforts. We simply do not have the accounting systems in place to allocate revenue receipts between existing enforcement programs and new programs funded in an initiative. Consequently, we do not know if initiatives produce the revenue projected for them.

There is also continuing uncertainty about how late in the fiscal year appropriations are enacted, how quickly new Revenue Agents and Collection Agents can be hired, how long they must be trained, how much revenue is lost when experienced field agents are diverted to the classroom to teach new hires, the appropriate mix if examination and collection initiatives, the time lag between assessments and collections, the percent of assessments ultimately collected and the costs imposed on taxpayers targeted by these initiatives - particularly those who are not found liable for any additional tax.

Border Patrol

DeConcini: President Reagan's Fiscal Year 1990 Budget request for the Immigration and Naturalization Service (INS) provided an increase of $44 million, over the FY89 level, yet it included deep cuts in the number of U.S. Border Patrol Officers. From the information made available thus far on President Bush's revised budget, I believe the INS numbers have not changed from the Reagan Budget.

Can you tell me what is in the revised budget for "INS"?

Response: The 1990 request totals $874 million -- $866 million for salaries and expenses and $8 million in the Organized Crime Drug Enforcement (OCDE) initiative. In addition to OCDE funds, the request covers two program enhancements -- $9 million for two alien detention facilities and $1 million for instructors at a new training center in Artesia, New Mexico. The 1990 INS budget represents a $52 million increase over the 1989 enacted level. The INS budget is among the priority programs, in the drugs and crime initiatives in "Building a Better America."

Funds of $13 million have also been added to INS as part of the President's new crime initiative. This increase will expedite the deportation of convicted criminal aliens.

DeConcini: What troubles me is that the 2,000 mile southwest border is the number one transit point for illicit drugs coming into our country, yet the Border Patrol, the lead agency for Drug Interdiction between the ports of entry and the agency that seized 60 percent of the marijuana and 40 percent of the cocaine confiscated along the border last year, has its total number of officers working the border slashed by 250.

I would think that if this Administration is serious about preventing drugs from entering our country they would be adding border patrol officers and not cutting them.

Response: Proposed 1990 funds for INS' Border Patrol are $14 million greater than the 1989 enacted level, a 6 percent increase. Since the Immigration Reform and

Control Act (IRCA) of 1986, border enforcement has become more effective.

Actually, we've had considerable success at the Southwest Border. As sanctions enforcement has increased, pursuant to IRCA, the stream of illegal aliens crossing seems to have declined:

- Border apprehensions of illegal aliens declined 43 percent from 1986 to 1988.

- Apprehensions dropped 16 percent from 1987 to 1988.

- At the same time, drug interdictions at the border in 1988 increased 17 percent over 1987 levels and criminal alien apprehensions increased 72 percent from 1987 to 1988.

DeConcini: President Reagan's final budget demonstrated the same commitment as his previous budgets to state and local law enforcement -- it cut out all funding for the Drug Grant Program. I commend President Bush's revised budget for restoring $150 million in funding for the State and Local Grant Program. However, the $150 million falls far short of the $350 million authorized in the 1988 Anti-Drug Abuse Act. I agree with a statement made by Drug Czar William Bennett to the National Governor's Association, that "The Federal Government has a significant role to play in this area".

What role do you see the Federal Government playing when it comes to providing financial assistance for State and Local Law Enforcement in the fight against drugs?

Do you believe we can carry out that job with $150 million?

Response: The Administration is proposing to strengthen law enforcement efforts at all levels of government -- Federal, State, and local. The original 1990 Budget Request of $150 million for State and local anti-drug abuse grants is an example of the Administration's commitment. This 1990 proposed funding level is the same level as the 1989 appropriation. However, with new provisions in the Anti-Drug Abuse Act of 1988, the State matching requirement will be increased from 25 percent to 50 percent. Since formula grants represent 80 percent of the amount appropriated, this will result in an additional $30 million to fight drugs.

In addition to the original 1990 Request, the President's 1990 Crime Initiative would commit an additional $6 million to this effort. These additional resources would serve as an incentive to encourage states to implement mandatory minimum sentences.

IRS REVENUE ESTIMATES

DeConcini: How do you know the IRS revenues are generated from increased enforcement activities versus normal collections?

Response: Currently, the IRS has only limited ability to track initiative costs and the actual revenues which result. The current administrative cost accounting system does not have a distributive labor component capable of assigning costs to individual employees. Thus, IRS can only estimate costs from aggregate totals. IRS uses estimating techniques and engineering models to determine the results of particular initiatives from overall program results. There is no assignment or tracking of revenue collections by individual employee. This is why we have undertaken a joint project with Treasury and IRS.

DeConcini: Have the estimates in the past three years reflected the actual collection of revenues due?

Response: We do not know if estimates reflect actual collections. As a result of a recent GAO report (August 1988) and an internal IRS study, the IRS is in the process of revising the revenue estimating methods associated with examination district office yields. The major areas of focus are some assumptions noted in the GAO report and a growing trend on the part of taxpayers to appeal and litigate the results of examinations. The increase in disputed cases tends to slow the collection of revenue from examinations, particularly in the first year. The modeling assumptions lower, somewhat, the overall yield to be expected from examinations. IRS has not yet determined the full impact of these changes but expects the study to be completed by the end of this fiscal year.

DeConcini: Have the revenue enhancements reflected the actual estimates for revenue to be generated from revenue initiatives?

Response: Revenue estimates scored in the budget do reflect estimated receipts from proposed and on-going revenue initiatives. However, as explained in the previous answers, neither we nor Treasury can verify the actual amount of revenue attributable to specific initiatives relative to other enforcement activity.

INCREASED AUDIT LEVEL

DeConcini: There is no increase in the FY90 budget for the IRS, which was presented to the Congress, to increase the "Examinations and Appeals" account. As I understand it, the Bipartisan Budget Agreement assumptions on increased compliance by the IRS do not include additional funds for taxpayer audits. With IRS examination audits at a level of slightly over 1%, why aren't additional audits being proposed for revenue generation? In FY90?

Wouldn't the revenues generated in the outyears be much higher if we increased examination audits?

Response: The "Examinations and Appeals" (E&A) account, as presented, does increase from FY 1989 to FY 1990 by $30 million. The overall increase in this account includes program initiatives of $18 million for revenue initiatives, primarily in the correspondence audits and international compliance areas. Additional revenue initiatives were included in the Investigation, Collection, and Taxpayer Services account.

Revenue initiatives including funds for additional revenue agents and tax auditors were not included in FY 1989. This type of initiative has a very low revenue yield in the short run (perhaps not even positive in the first year). As you are aware, the revenue yields scored for various exam initiatives in FY 1987 and FY 1988 have been questioned by many parties including GAO and CBO. You are correct in asserting that examination initiatives have much higher revenue generation in the outyears than in the first year or two.

We would also like to clarify the audit coverage level. OMB projects that the IRS examination audit level will increase from 1.02% in 1988 to 1.23% in 1990. This reflects revenue initiatives from previous years. Additionally, a total coverage level that includes contacts as well as full-scale examinations will increase from 1.58% in 1988 to 1.98% in 1990. This contact level may be a more significant measure of the IRS presence, since there have been many recent efforts, such as correspondence audits and third party document matching, designed to increase compliance and raise revenue that would be overlooked if you focused only on the examination level.

NATIONAL CRITICAL MATERIALS COUNCIL

DeConcini: On April 4, the Subcommittee held a hearing on the budget of the National Critical Materials Council. From the testimony of Thomas Moore, the acting Chairman of the council, it became clear to this Senator that there is a blatant disregard for the law by the council. For example, the Congress enacted legislation which was included in the 1988 Trade Bill directing the council to hire at least 5 permanent staff within 30 days of enactment. The bill also prohibited the Critical Material Council from taking any reimbursable services from other federal agencies, including personnel.

Mr. Director, the Council is presently operating with 2 personnel who are on detail from the Bureau of Mines. It has made no attempt to hire permanent staff and was not even aware of the prohibition on reimbursable detailees until we brought it to their attention. The current acting Chairman of the council is from the Council of Economic Advisors and he tells us he is leaving the Government in May. I can't say as I have any regrets over his decision.

The reason I am bringing this up, Mr. Darman, is that it appears that we have an agency which is on the verge of "contempt of the Congress".

I have been advised that OMB is behind this behavior by the Council and I want to know from you if you are aware of this situation and what you intend to do about it?

Regardless of OMB's position on the Council and its mandates, the law is the law. Maybe you can tell us why OMB is blocking this agency from complying with the law?

While the FY90 budget for the Critical Materials Council assumes the enactment of legislation to disband the Council, the Congress has not yet acted on that proposal and this Committee expects the Council to continue its operations under existing law unless and until we take action to the contrary. Can I have your assurance, Mr. Director that OMB will take the steps necessary to ensure that the Council is in full compliance with the law at the earliest possible date?

Response: OMB has taken no action which precludes the NCMC from complying with the law. OMB has advised the Council that it must stay within its FY 1989 appropriation level of $225,000. Attached is a copy of OMB guidance to the Council on this matter. Also attached is a copy of a letter sent by a former OMB official to Congressman McCurdy containing similar guidance. Further, the Office of Presidential Personnel advised OMB that it is presently reviewing the status of the National Critical Materials Council and will be forwarding its recommendations to the President.

LETTERS FROM ROBERT K. DAWSON, ASSOCIATE DIRECTOR, NATURAL RESOURCES, ENERGY AND SCIENCE, OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

OCT 12

Mr. David S. Brown
Executive Director
National Critical Materials Council
Room 6070, Mail Station 6040
18th and C Streets, N.W.
Washington, D.C. 20240

Dear Dave:

This is in response to your September 13, 1988, memo on staffing levels for the National Critical Materials Council.

In light of recent Congressional appropriation action, the Council should hold its staffing level to the enacted FY 1989 appropriation level of $225,000 and stay within this level while absorbing 100 percent of the 4.1 percent pay increase.

If you have any further questions or need to discuss this matter, please contact me or Ken Glozer.

With best regards,

/s/

Robert K. Dawson
Associate Director
Natural Resources,
Energy and Science

NOV 7 1988

Honorable Dave McCurdy
Chairman, Subcommittee on Transportation,
  Aviation, and Materials
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I appreciated very much the opportunity to meet with you on the National Critical Materials Council (NCMC). Hearing your views face-to-face was very helpful in furthering our understanding of your concerns. As I indicated at the meeting, the Council under Secretary Hodel's leadership has made considerable progress in completing the mandatory reports and other responsibilities of the Council. The Critical Materials Report was transmitted in July and, currently, the Advanced Materials Program Plan is in the Office of Management and Budget (OMB) interagency clearance process. This process will take some time to complete because of the report size and the large number of affected agencies. Once the process is completed and we have a cleared report, the Council will transmit it to your subcommittee. That target date is November 28, 1988. Subsequently, the report will be submitted to the Government Printing Office for printing.

On the matter of Council staffing levels, the Congress appropriated $225,000 for FY 1989. This is sufficient for three permanent staff. The Council can continue to use the expertise of agencies with minerals and material policy and program responsibilities, such as the Bureau of Mines, in carrying out its responsibilities. In this way, duplication of staff work is avoided.

The Administration has proposed phaseout of the Council at the end of FY 1989 once the mandatory reports and remaining tasks are completed. This proposal was based on the need to let the President decide how best to organize and administer his Executive Office to meet the needs and priorities of the Nation in a way that is responsive to the Congress and subject to Congressional oversight. This proposal should not be interpreted as not wanting to have effective minerals and materials policies and programs. The Administration views the strategic and critical minerals and materials area as of very high importance to the Nation. The Administration has established effective policies and programs that have been developed through existing line agencies with coordination through long established Executive Office mechanisms. The President's comprehensive minerals and materials policy transmitted to the Congress in 1982 was done in this way. Another example of how this approach works is the Office of Science and Technology Policy's (OSTP) interagency coordinating group for materials -- COMAT. This group is comprised of agency members with advanced materials research and development (R&D) programs and is devoted to coordinating these efforts consistent with overall Administration research and development policy.

We believe that the President should have flexibility to organize the Executive Office to develop and coordinate policies, plans, and programs across the Executive Branch. Special purpose councils such as the National Critical Materials Council (NCMC) may conflict with agency mission responsibilities by raising agency concerns about whether the Council or agency heads are responsible for agency programs. This is the Administration's view on the Council. It should not be interpreted as Administration unwillingness to implement the Council. To the contrary, the Council has and will continue to perform its duties. We believe that line agencies coupled with a proven Executive Office coordinating mechanism is the most effective way to develop and coordinate crosscutting policies and programs.

I will be out of the office most of November, but I am asking Dave Brown, Executive Director of the Council, and my deputy, Ken Glozer, to continue to follow up on these matters and meet with your staff as necessary to continue to pursue your concerns. Again, I appreciate the opportunity to work to achieve what I believe is our strongly held common objective of effective national minerals and materials policies and programs.

With best regards,

Joseph S Hezir, Deputy, for
Robert K. Dawson
Associate Director
Natural Resources,
Energy and Science

FUNDING OF INDIAN WATER RIGHTS SETTLEMENTS

DeConcini: Mr. Darman, in your appearance before the full Committee in February, I submitted to you a series of questions concerning the funding of Indian Water Rights Settlements. Because of the importance of this issue to the West, and because we did not receive answers to our questions, I feel compelled to raise these points with you again.

As you know, Mr. Darman, over fifty lawsuits are now pending before State and Federal Courts to resolve disputes over tribal rights to water flowing on or past Indian Reservations. Litigation is costly, time consuming, uncertain in outcome and once decided, can displace existing water use and provide only paper rights, not wet water. The prolonged uncertainty clouds the validity of water rights for Indian and Non-Indians alike. This forestalls investments based on the availability of, and rights to water, thus hurting Tribes, businesses, States and the Nation.

As a result of this pending litigation, the previous Administration undertook an aggressive program to negotiate settlements for the outstanding Indian water claims throughout the West. Secretary Lujan has indicated that this policy will continue.

During the last Congress, three settlements were enacted into law -- The Salt River Pima-Maricopa in Arizona, San Luis (Louie) Rey in California and the Colorado Ute in Colorado. These settlements anticipated Federal funding in FY90 of $76 million. However, in the FY90 budget request, there is only $15 million budgeted for these settlements. The underfunding of these recently completed settlements is giving the non-federal participants cause to question the credibility of the Federal Government in meeting its commitment to resolving Indian water right disputes.

It is important to remember that these negotiated settlements are saving the U.S. Taxpayer money in the long run. In each of the negotiated settlements, there are schedules for each of the participants, including the Federal Government, to meet its obligations. In the event of noncompliance with meeting these schedules there are provisions for interest penalties which could possibly result in greater costs to the Federal Government. In fact, the Salt River Pima-Maricopa Agreement dissolves completely in the event of non-performance by any of the parties in meeting their obligations by December 31, 1989.

Mr. Darman, I think you would agree that it is certainly in the best interest of the Federal Government to fund the federal obligations as called for in these settlements. So, why does the fiscal year 1990 budget fall so far short of meeting the federal commitments under the terms of the legislative settlements?

Response: The President's FY 1990 Budget requests $15 million as payment to the Bureau of Indian Affairs trust funds established by the three recent Indian water rights settlements. In a tight budget year, this was considered the minimum level necessary to keep Federal commitments to the settlements.

DeConcini: Would you consider it a general philosophy of the Bush Administration to negotiate rather than litigate Indian water rights?

Response: The Bush Administration favors negotiated settlements over litigation to the extent that negotiations result in an outcome better than the likely outcome of litigation for all parties. We do not subscribe to the notion that negotiations are always preferable to litigation, especially when Federal taxpayers are asked to contribute substantially more than they might pay as a result of litigation.

Indian water rights claims and settlements involve a complicated blend of legislation, treaties, court decisions, history, social policies, technology, and practicality. These interrelated factors make it hard to formulate rules to determine exact settlement contributions by the various parties involved in a specific claim.

For example, the Federal Government has an on-going trust responsibility to federally recognized Indian tribes that, at times, may exceed the Government's legal liability for a water rights claim. However, it is extremely difficult to quantify this trust responsibility and apply it consistently across all proposed settlements. The Administration therefore believes that, as a general rule, the Federal contribution to a settlement should not exceed its legal liability if the claim were adjudicated.

DeConcini: To what degree does the current Administration consider it an obligation of the United States to resolve outstanding Indian water rights claims?

Response: The Bush Administration recognizes the importance of settling legitimate claims brought by tribes against States, private entities, and the Federal Government.

Tribes should not be forced to litigate where the evidence is clear that rights exist.

The Federal Government has a trust responsibility to assist tribes in asserting and protecting their water rights. Where litigation is the only route available to tribes, the Federal Government, as trustee, should also ensure that tribes receive the resources necessary to pursue through the courts just and meritorious water claims.

DeConcini: What do you anticipate to be the effect of under-funding these Indian water rights settlements on future negotiations?

Response: We expect to continue to work toward settlements of legitimate Indian water rights claims to which the Federal Government is a party. It is important, however, for negotiators to be realistic in their expectations, particularly when budgets are highly constrained at the Federal, State, and local levels.

The three recently enacted water settlements (Salt River, AZ; San Luis Rey, CA; and Colorado Ute, CO/NM) authorize the Federal Government to provide $113 million in FY 1990 and an added $168 million through FY 1991 - 1994. For the forseeable future, such authorizations will be difficult to fully fund and will make it even more difficult to finance other meritorious water settlements.

Regarding the Salt River Pima-Maricopa Settlement, my understanding is that the agreement could be null and void on December 31, 1991, in the event of either:

- o the absence of full funding, or
- o non-accomplishment of several provisions including modification of the settlement agreement where it conflicts with the legislation.

DeConcini: Wouldn't other tribes consider it a disincentive to proceed with future negotiations on water rights settlements if they are funded by taking the costs for these settlements from other Bureau of Indian Affairs Programs?

Response: Yes, if that is in fact the case. However, budgeting for Indian water rights settlements should be treated in the same manner as budgeting for other Federal programs. Such settlements should compete with other important funding priorities within the Department of the Interior as well as the Federal Government.

DeConcini: Would you agree that if these Indian Water disputes proceed to judgment, funds for the damages found against the United States would be paid off-budget through the Department of Justice Settlement Fund, and therefore, possibly increase the legal exposure of the Federal Government?

Response: Claims against the Federal Government that proceed to final judgment are usually funded from the Department of Treasury's Claims, Judgments, and Relief Acts Fund. This fund is not "off budget", in as much as expenditures from it increase the Federal budget deficit.

DeConcini: Does the budget agreement assume any increases for the funding of Indian water settlements over the Reagan Budget request? What would you think of the establishment of a separate trust fund within the department of the Interior for Indian water settlements?

Response: The FY 1990 Bipartisan Budget Agreement did not specifically address Indian water settlements. For FY 1991, we will be guided, in part, by the recommendations of the Secretary of the Interior.

Regarding establishment of a separate trust fund for Indian water settlements, there could be merit in using such a device to track current expenditures for authorized settlements.

However, we do not encourage the proliferation of accounts. We would not be in favor of a trust fund that is funded each year in anticipation of future, unspecified settlements or that is funded on a permanent, indefinite basis.

We are opposed to annual funding in advance of actual settlements because of the perverse signal that would be sent to negotiators in the field and because of the possibility such funds could be used for other purposes if the settlements do not materialize in a given year.

We are opposed to a permanent, indefinite appropriation because we believe that settlement funding should not come automatically with authorization, but should compete in the appropriations process with other priorities.

INVESTMENT IN MANAGEMENT IMPROVEMENT

DeConcini: I do have some concerns about the way the Investment in Management item appears in the budget documents. It is being shown in the OMB tables provided to the Committee as spread over several different budget functions, yet it has been requested under one account, the Executive Office of the President.

If this $83.9 million is going to be allocated to various federal programs, why is it being requested under one account?

Response: As you know, the revised Bush budget for FY 1990 includes only $18,000,000 of the original $83,950,000 requested. It is being requested in one account so that OMB can better control the prudent allocation of the money. The funds will be distributed to individual agencies for specific projects contingent upon the agency's: (a) submitting a complete and feasible implementation schedule; (b) satisfying OMB that appropriate controls are in place to assure that funds are not diverted to support traditional operations; and (c) reporting to OMB frequently on progress or problems. No funds will be distributed to an agency without meeting these conditions.

DeConcini: Why should "EOP" be charged with $83.9 million in "BA" if the funds are actually to be spread by budget function?

Response: This account in the EXOP chapter has traditionally been used to account for management improvement efforts that benefit the Government as a whole. The $83.9 million was requested to continue our efforts to carry out the Reform '88 management improvement program. On July 6, 1989 the President reduced this request from $83.9 million to $18 million, providing funding only for cross-cutting initiatives, other than agency specific initiatives.

QUESTIONS SUBMITTED BY SENATOR J. ROBERT KERREY

BUDGET NEGOTIATION GOALS

Kerrey: You came to your job in January with a new Administration. That Administration was committed to no new taxes. You were faced with a budget prepared by the previous Administration. With all of this in mind, what were your goals in the negotiations on the budget agreement?

Response: When he presented his budget to Congress, President Bush said that we could and should meet several tests. We should meet fundamental obligations for protection of national security and the support of the needy. We should provide sufficient funds to advance high priority initiatives. At the same time, we should restrain this overall growth of spending so we can meet the Gramm-Rudman-Hollings targets on time without tax increases. That set of goals was our guideline in the negotiations. We think we basically satisfied them.

INTEREST COSTS OF HIGHER DEFICIT

Kerrey: If, under the budget agreement, it turns out that you are off on the deficit by $20 billion, what does that do to interest payments on the national debt in FY 90 and FY 91 using (1) your economic assumptions and (2) CBO's economic assumptions?

Response: If the FY 1990 deficit were to increase by $20 billion, using OMB's economic assumptions, interest on the public debt would increase by $0.9 billion in FY 1990 and $1.6 billion in FY 1991. Using CBO's assumptions, interest would increase by $0.9 billion in FY 1990 and $1.8 billion in FY 1991.

GRAMM-RUDMAN-HOLLINGS REPORT

Kerrey: In several months, you will, under the budget process, take a "snapshot" of the situation. (1) What do you anticipate finding and (2) how do you expect this to affect the Administration's policies?

Response: The Budget Agreement was designed to satisify the requirements of Gramm-Rudman-Hollings for 1990. We would expect that we will find that it does so when we take our GRH report "snapshot" in August. OMB does not anticipate any change in Administration policy to result.

STATUS OF PREPARATION FOR THE FY 1991 BUDGET

Kerrey: It is often said that it takes about a year to put a budget together. That would indicate that you are currently working on the FY 1991 budget, which will be the first budget prepared in total by this Administration. Where in the FY 1991 budget process are you and what is your schedule for preparing the FY 1991 budget?

At what point will you give guidance to program and project managers regarding what they should expect to include or have approved?

Response: According to law, the President's budget must be transmitted to the Congress each year by the first Monday after January 3rd. The transmittal date for the FY 1991 budget is January 8, 1990. The schedule for the budget process is geared to meeting that date.

It generally takes at least a year to prepare the President's budget for transmittal to the Congress. The various Federal agencies had to begin preparations internally for the FY 1991 budget as soon as the last budget was submitted, if not before. At this time, the agencies are at varying stages of developing and evaluating budget requests from components within the agencies. Their requests are due to be submitted to OMB on September 1st.

Initial guidance was provided to the agencies last January in the form of the planning estimates for FY 1991 that were included in the FY 1990 Reagan budget. Within that broad guidance, to varying degrees, specific planning guidance was provided to program and project managers. However, such guidance is tentative. Decisions regarding FY 1991 resource levels will depend on the resource levels actually enacted for FY 1990 consistent with this year's Bipartisan Budget Agreement between the Bush Administration and the Congress. Also, the guidance will have to be revised when the latest economic forecasts are developed and other estimates are revised. The guidance will be revised and become more definitive throughout the budget formulation process.

OMB TURNOVER

Kerrey: What kind of turnover/attrition do you have at OMB?

Response: During calendar year 1988 OMB's permanent staff experienced a turnover rate of 19.0 percent. The overall OMB turnover rate for calendar year 1988 was 27.9 percent.

Kerrey: What kind of turnover takes place at the beginning of a new Administration?

Response: When a new Administration enters the White House, the Director, Deputy Director and political support staff typically experience nearly 100% turnover. OMB is principally a career agency and only 4% are political.

ECONOMIC POLICY COORDINATION

Kerrey: Tell me how you see the roles of OMB, Treasury Department, Council of Economic Advisors and the FED playing out in this Administration?

Where is the lead? Where is it all brought together?

Response: It is all brought together at the White House. The President is the Administration's top economic policymaker. He makes the final decision on all major issues of economic policy.

The Treasury Secretary is the President's chief economic spokesman. The Director of OMB is responsible for advising the President on budget policy. The Treasury Secretary, the Director of OMB, and the Chairman of the Council of Economic Advisers (CEA), comprise what has been called the economic policy Troika. They meet weekly to exchange views. The Secretary of Commerce frequently attends these meetings. The Troika, with the advice of their staff, also jointly formulate the economic assumptions used in the Administration's budget. Other members of the cabinet cooperate in formulating policy through the Cabinet Council on Economic Policy.

The Chairman of the Federal Reserve Board periodically joins the weekly Troika meeting. These regular contacts serve the useful purpose of sharing information and exchanging views, but Congress created the FED as an independent agency and its monetary policy deliberations are not coordinated with the other Executive Branch agencies.

Kerrey: Please explain in some detail what you expect to accomplish -- what are your goals -- for the $83 million request for new management initiatives?

Response: Reform '88 was initiated in 1982 as a long-term effort to improve the overall management of the Federal Government. When the Reagan Administration took office in 1981, the Government was experiencing unprecedented growth in its credit portfolio, as well as coping with managing a $2 trillion annual cash flow, with ineffective and obsolete financial systems.

Reform '88 is a comprehensive program to address critical management problems. Today, there is a modern cash management system that saves the Government almost $1 billion annually in interest costs. The Federal Government now pays more than 87 percent of its bills on time -- making the Government not only a desirable and responsible business partner, but also saving the taxpayer millions of dollars in interest and late penalty payments each year.

There is an improved credit management program that is screening credit applicants, servicing loans more efficiently and reducing delinquencies. Also, through an aggressive loan sales and prepayment program, the Federal Government realized over $8.2 billion in 1988 alone.

Further, a Government-wide financial accounting structure is being implemented to manage the Government's 900 million payments each year to civilian and military personnel and contractors. The system should be totally implemented by 1990 in all civilian agencies and in the Defense Department by 1992. To compliment this effort and to assure consistency and adherence to sound financial management principles throughout Government, a Chief Financial Officer has been designated, and CFO's are now in place in each Federal agency.

As a result of the Reform '88 program, Federal agencies are emphasizing better use of information technology to delivery services and improve quality and timeliness of services. For example, in 1988, 2 million tax returns were filed electronically, reducing processing time and providing refunds in less than 3 weeks; and 12 of 20 air traffic control centers have been modernized, increasing reliability twentyfold.

Though the achievements realized through Reform '88 to date are significant and the progress substantial, much remains to be done. In some cases our efforts must be accelerated to establish permanent changes.

Kerrey: In your testimony, you indicate that you could do with less. Does this mean the elimination of parts or stretching out the proposal?

Response: On July 6, 1989 President Bush reduced the request for this account to $18 million. The highest priority activities that would be funded at the revised request level are:

High Priority: Finance Centers
Grants Management System
Pre-Screening Federal Loans
Debt Litigation

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

FY 1990 OMB BUDGET REQUEST

Domenici: You indicate in your testimony, Mr. Director, that in light of overall federal budget constraints, you are inclined to believe that you could get by with a management improvement fund smaller than the $84 million requested in the fiscal year 1990 Reagan Budget, coupled with full funding of OMB's authorized 580 full-time equivalent (FTE) position level.

What changes to the fiscal year 1990 Reagan Budget request are you proposing? Please be specific.

Response: On July 6, 1989, President Bush increased his request for OMB from $42.4 million to $43.9 million and reduced the Management Improvement account from $83,950,000 to $18,000,000. We support the House Committee mark of $44.9 million for OMB and $1 million for the Management Improvement account. The House Committee mark recognizes that by reducing the Management Improvement account to $1 million (thereby reducing the level of management initiatives funded), that additional resources had to be provided for the OMB budget itself so that increased attention could be paid to the government's management problems.

Domenici: What reduction in the level of funding requested for the "Investments in Management Improvements" account do you propose?

Response: On July 6, 1989, President Bush reduced his request by $65,950,000, from $83,950,000 in the Reagan budget for 1990, reducing that request to $18,000,000.

Domenici: Would you please provide for the record a list of those "Reform 88" projects which would be funded if the fiscal year 1990 request submitted by President Reagan was approved and those which would be funded by the reduced funding request you are proposing.

Response: We would like to answer that by assigning relative priorities to the activities that are proposed to be carried out with the management improvement fund. OMB recommends funding the projects in the order shown below. At the requested level, we would anticipate that OMB would accomplish most of the high priority projects.

High Priority: Finance Centers
Grants Management System
Pre-Screening Federal Loans
Debt Litigation

Intermediate Priority: Guaranteed Loan Management
Electronic Benefits Transfer

Lowest Priority: Quality, Productivity Improvement
Improve Direct Loan Servicing
Management Information System
(Not to be confused with the Max 2000 system requested with OMB funds)

Domenici: The fiscal year 1990 Reagan Budget request for OMB is $42,435,000; this proposed level would fund an additional 34 full-time equivalent positions. You are suggesting that additional funding be provided to fund a full-time equivalent position of 580 versus the 563 FTE level in the Reagan Budget.

What additional funding would be required to reach this 580 FTE position level?

Response: In the budget justification submitted on July 26, 1989, we indicate that a level of $44.9 million would support 577 FTE's. An additional $163,000 would be required to fund 580 FTE's.

Domenici: Would you please provide for the record a table comparing, by OMB unit, the allocation of total OMB FTE positions funded in each of fiscal years 1988 and 1989 as compared to the allocation of the 563 FTE positions requested for fiscal year 1990 in the Reagan Budget and an allocation of a 580 FTE position level.

Response: The following is a table comparing the allocation of total OMB FTE positions funded under the revised OMB budget request:

	FY 1988 Actual FTE	FY 1989 Enacted FTE	FY 1990 Requested FTE	FY 1990 House Committee
BRD	71	74	74	74
NSIA	66	66	67	69
E&G	57	61	61	63
NRES	63	66	67	69
HRVL	59	61	61	63
DO	63	63	63	64
MGMT	46	47	71	77
OIRA	66	62	63	65
PRIV	5	3	5	5
COMM. On PRIV.	3	0	0	0
LEG. REF.	26	27	27	28
Total Positions	525	530	559	577

Domenici: The fiscal year 1990 budget request for the Executive Office of the President "Office of Administration" account reflects a $400,000 increase for the Office of Administration to assume direct on-line access between OMB's Budget Preparation System and other Federal Government agencies and to support OMB's minicomputers. The Office of Administration's budget justification indicates that this $400,000 is being transferred from OMB's budget. Currently, OMB reimburses the Office of Administration for both of these services.

Why is this funding being transferred from OMB to the Office of Administration?

Response: During the preparation of the FY 1990 Reagan budget, the Office of Administration requested the $400,000 be transferred to their account.

Domenici: Where is the offsetting $400,000 reduction reflected in OMB's fiscal year 1990 budget?

Response: The corresponding reduction to OMB is reflected in the Other Services object class. This object class appears to reflect only a $150,000 reduction. The difference of $250,000 is increased funding for the Budget and Financial Information System (Max 2000).

Domenici: The fiscal year 1990 request for the Office of Administration includes $250,000 in funding for the "MAX 2000" initiative. OMB's fiscal year 1990 request includes another $500,000 for this project.

Is this the same initiative for which $3.5 million in funding was sought in fiscal year 1989 under the "Expenses of Management Improvements" account? If so, why is the funding request this year not only being shifted from the "Expenses of Management Improvement" account, but split between the Office of Administration and OMB accounts? In addition, why is $750,000 being requested for this initiative rather than the $3.5 million requested last year?

Response: Yes, this is the same initiative as last year. The funding request was transferred from the "Expenses of Management Improvement" account due to the strong recommendation of our respective Subcommittees. The Office of Administration will work with OMB in the development of an augmented data base (present information files augmented with information from individual budget analysts and organized to support analysis of budgetary information). Tight budget constraints have forced OMB to move at a slower pace in developing a replacement system. OMB will rely on annual incremental requests as a source of funding.

Domenici: When the $3.5 million request was made last year, OMB indicated that the first phase of this project was underway. What work has been done on this project to date?

Response: In FY 1988 the following background work was performed: software evaluation, prototype development, function specification integration, staff development and data modeling.

For FY 1989, OMB and the Office of Administration are preparing a statement of need, functional requirements, and specifications. In addition, the group is preparing preliminary technical design studies and prototype during FY 1989.

Domenici: The fiscal year 1989 appropriation act authorizes up to $1 million of the funds appropriated for OMB's "salaries and expenses" account to be available for a consolidated federal budget and financial information system. Are you making any of your fiscal year 1989 funds available for this system? If so, what amount has been allocated for this purpose?

Response: Because of tight budget constraints, OMB was able to fund only $50,000 for MAX 2000 in FY 1989.

Domenici: What is the estimated total cost of the "MAX 2000" initiative, including hardware and software? Since OMB relies on the Office of Administration's data processing center, what will "MAX 2000" mean for the Office of Administration in terms of capacity upgrades?

Response: Our best current estimate is that the system will cost $3.5 million to put in place.

Domenici: Why is it important that funding to initiate this project be provided in fiscal year 1990?

Response: The current set of OMB budget support systems are an impediment to any serious attempt to integrate budget and financial management information within OMB and, by extension, within the Executive Branch of the Government. They are also old and require the services of a computer programmer for anything other than routine access. Further, they lack strategic technical characteristics that would be required to serve as a base for further evolutionary systems development.

From a staff point of view, analytical work is more difficult and less well done than it could be as a result of systems inadequacies. The shortfall also impacts the staff of the so called "79-10" agencies (a reference to OMB Bulletin 79-10) who must deal with the more than twenty year old Budget Preparation System in order to provide budget number input to the President's budget. These agencies include virtually all of the Federal Departments which provide data to OMB electronically.

OMB is anxious to begin proactively developing a sound technical base for the modernization and evolutionary growth of OMB information systems. It is the desire of OMB management and staff that this not be deferred until a major information failure necessitates a less orderly transition. Some organizational momentum has developed to immediately press forward with a systems modernization effort. That momentum is in real danger of being lost if there are more funding delays.

Domenici: If the $750,000 in fiscal year 1990 funding requested for the "MAX 2000" project is provided, how will these funds be spent? Please be specific.

Response: For FY 1990, funding for the MAX 2000 project breaks down as follows:

	OMB	OA	Total
Design & prototype	100,000	-0-	100,000
Production Augmented Data base	250,000	250,000	500,000
Training & Support	150,000	-0-	150,000
	500,000	250,000	750,000

Major systems development would occur in FY 1991 when the basic systems feeding the augmented data base are replaced and the equipment necessary to run the system is delivered.

Domenici: In the display of the fiscal year 1990 budget request by activity on page 6 of the budget justification, under which activity is the $500,000 increase in funding for the "MAX 2000" project included?

Response: Because the entire institution will benefit from "MAX 2000", the cost associated with the system has been distributed to all activity areas.

Domenici: The budget justification indicates that the total number of full-time permanent positions in fiscal year 1988 was 505. Of these total permanent positions, how many were unfilled at the end of fiscal year 1988?

Response: The Office of Management and Budget is authorized 570 full-time permanent positions. Of this amount OMB had 505 positions filled at year end, leaving 65 full time permanent positions vacant.

Domenici: The Administration's fiscal year 1989 supplemental funding request proposes a $436,000 reduction in OMB's fiscal year 1989 appropriations as part of the across-the-board cut proposed in funding for discretionary residual accounts. What would be the impact of this fiscal year 1989 funding reduction on OMB?

Response: The Office of Management and Budget would have delayed hiring and stopped travel, supply and equipment purchases to achieve the necessary savings.

Domenici: What would be the impact on OMB's operations by freezing its funding for fiscal year 1990 at the fiscal year 1989 appropriations level?

Response: If OMB's funding was frozen at FY 1989 levels, OMB would be required to cancel and/or delay projects such as "MAX 2000" and the President's Management initiatives. Because of the absorption of pay raises OMB would not be able to afford current staffing levels.

Domenici: For fiscal year 1989, an appropriation of $1 million of the $2.4 million requested in the "Expenses of Management Improvements" account was provided for OMB's word processing system.

What amount of the $1 million appropriated for OMB's word processing system will be obligated by the end of fiscal year 1989?

Response: Due to cutbacks in funding from the Hill, OMB prepared a new draft office automation plan which is currently being reviewed. Currently, OMB estimates that it will expend the full $1 million appropriated in FY89 by the end of FY 1990.

Domenici: What is the estimated total cost of this system?

Response: The Office of Management and Budget anticipates expending all the $1,000,000 for the word processing system.

Domenici: Is any additional funding for this system being requested for fiscal year 1990?

Response: No additional funding for this system is requested for FY 1990.

Domenici: For fiscal year 1988 and for fiscal year 1989 to date, please give us the total number of federal employees detailed or otherwise assigned to the Office of Management and Budget; the purpose for which each of these employees was detailed; whether the detail was on a reimbursable or nonreimbursable basis, and if on a nonreimbursable basis, why; and the length of the detail or assignment.

What amount is included in OMB's fiscal year 1990 request for reimbursement to other federal departments or agencies assigning or detailing employees to the Office of Management and Budget? What is the number and length of the details assumed?

Response: The Office of Management and Budget had 58 Federal employees detailed to OMB in FY 1988 and 66 (through June 23) in FY 1989. Included in the FY 1989 total are 11 detailees who were also with OMB in part of FY 1988.

It should be noted that the Director has recently issued a new policy for reimbursing agencies for employees on detail with OMB in excess of six months. As a result, OMB does not foresee having any detailees in excess of six months in FY 1990 that would not be reimbursed. The revised request assumes that $797,000 will be used to either hire or reimburse existing detailees here in excess of six months.

For FY 1988, the number of detailees was 58 and length of stay averaged 7.07 months. For FY 1989, the number of detailees that have been with OMB is 66 with an average stay of 7.13 months. For FY 1990, due to the Director's new policy on detailees, we anticipate a reduction in the length of stay to just several months. These details would assist in preparing the President's budget, management and regulatory documents.

The following is a brief description of the purpose of each detail in FY 1988 & 1989, whether the detail was reimbursable or non-reimbursable and if non-reimbursable, why.

Fiscal Year 1988

1 Observation, assist in tracking budget numbers and coordinating agency print materials. The detailee was a nonreimbursable detail for four months on Presidential Management Intern (PMI) rotation.

2 The detailee worked on analyzing budget issues, tracking budget numbers. The detailee was a nonreimbursable detail for four months on temporary assignment.

3 "Budget season" rotational assignment, tracking budget numbers. A nonreimbursable detail for five and a half months on PMI rotation.

4 "Budget season" rotational assignment, tracking budget numbers. A nonreimbursable detail for one month on PMI rotation.

5-20 Individual training & experience in the preparation and presentation of budget materials, and to assist in the process of assembling the U.S. Budget. These detailees were all nonreimbursable. These details ranged from one and a half to four months.

21 One detailee was sent to OMB to provide policy analysis on Federal programs in the area of Human Resources, Veterans and Labor. The detailee was reimbursable and was with OMB eleven months.

22 The detailee was a PMI trainee sponsored from HHS. The detailee was nonreimbursable for a duration of six months.

23 The detailee was on a training assignment from HHS. The detailee was nonreimbursable for a duration of three months.

24 The detailee was on a training assignment from GAO. The detailee was nonreimbursable for a duration of six months.

25 This detailee was sent to OMB on a training assignment with the National Security Division. The detail was nonreimbursable and the duration was two and one half months.

26 This detailee was sent to OMB on a training assignment with the National Security Division. The detail was nonreimbursable and the duration was nine months.

27 This detailee was sent to OMB on a training assignment with the National Security Division. The detail was nonreimbursable and the duration was two weeks.

28 This detailee was sent to OMB on a training assignment with the National Security Division. The detail was nonreimbursable and the duration was one month.

29 This detailee was sent to OMB on a training assignment with the National Security Division. The detail was nonreimbursable and the duration was three months.

30 The detailee was a PMI working on special studies in the intelligence field and assist in budget assignments. The detailee was nonreimbursable and was with OMB two and one half months.

31 The detailee worked a PMI to complete his State Department experience and to gain another institution's perspective on science and technology policy. The detail was nonreimbursable and was with OMB four months.

32 This detailee's duties related to corporate takeover and financial industry regulation. This detailee was reimbursable. The duration of the detail was 90 days.

33 One detailee came to OMB on training and assisted on Privacy Act issues. The detail was nonreimbursable and last one month.

34 This detailee was on training and assisted with production of Government-wide 5 year ADP and telecommunications plans. The detailee was nonreimbursable and lasted six months.

35 The detailee is a personnel specialist working in the Privatization Office. This detailee was nonreimbursable and was with OMB 10 months.

36 One detailee was assigned to OMB as representative of DOD to provide input and analysis based on DOD's interests and the candidates extensive experience in privatization issues. This detailee was assigned on a nonreimbursable basis by DOD to work on the Department's privatization initiatives. DOD has been the primary beneficiary of his services. The detailee is nonreimbursable and has been with OMB seven months.

37 Detailee was a temporary program analyst doing data entry work for the Research and Development portion of the Special Analysis of the U.S. Budget for FY 1989. The detailee was nonreimbursable. Duration was one month.

38 Detailee worked on the data base and prepared the Department of Energy's budget appendix for printing. The detailee was nonreimbursable and the duration was one and a half months.

39 Detailee performed background research on the Tennessee Valley Authority Program. Detail assignment was part of a Federal Management Training Program. The detail was nonreimbursable and the duration was two months.

40 Detailee provided technical assistance on the review of geological issues related to the Navel Petroleum Reserves. Detail was part of a Federal Management Training Program. The detailee was nonreimbursable and the duration was six days.

41 One was detailed to serve as a lead secretary in the absence of the lead secretary. The detailee was nonreimbursable and the duration was one year.

42 The detailee provided temporary secretarial support for a branch that lost their lead secretary. The detailee was nonreimbursable and the duration was three months.

43 The detailee provided temporary secretarial support for a branch, in the absence of the lead secretary and support secretary. The detailee was nonreimbursable and the duration was one month.

44 One detailee assisted in the development of the President's FY 1990 budget and the transition to the new Administration. Particularly involving the Fish & Wildlife Service and Geological Survey. The detailee was nonreimbursable on a rotational assignment in the Dept. of Interior Development Program and the duration had been one week.

45 One detailee assists in the clearance of proposed legislation and cost-sharing agreements to respond to internal and external requests for project and program information and special analyses. This detailee was nonreimbursable on training and was with OMB four months.

46 One detailee assisted by scorekeeping for the FY 1989 Interior appropriations bill and doing short-term research concerning the development of the President's FY 1990 budget and the transition to the new Administration. The detailee was nonreimbursable on training and was with OMB three months.

47 One detailee assisted in clearance of proposed legislation and cost-sharing agreements, response to internal/external requests for projects and program information and special analysis. This detailee was nonreimbursable on training and duration was six months.

48 One detailee's responsibilities included assisting in organizing and preparing budget materials for review and decision by OMB officials to develope the President's FY 1989 Budget. The detailee was nonreimbursable and a participant in the DOI Departmental Managers Development Program. The duration was three months.

49 One detailee assisted in the review of the global change crosscut for the FY 1990 budget and its workplan for developing U.S. global climate change policy, and performance of such tasks as assigned. The detailee was nonreimbursable and a participant in the Departmental Managers Development Program. The detailee was nonreimbursable and the duration of the detail was two months.

50 The detailee assisted in scorekeeping during the FY 1989 budget preparation process in OMB. The detailee was nonreimbursable on training and the duration was four months.

51 The detailee assisted in scorekeeping during the FY 1989 budget preparation process in OMB. The detailee was nonreimbursable pending transfer to OMB and the duration was one month.

52 One detail assists as a liaison for the President's Council on Integrity and Efficiency/President's Council on Management and Integrity. This detailee is nonreimbursable. Duration of the detail has been 21 months.

53 One detailee acts as a budget support and personal computer coordinator. This detailee is nonreimbursable. Duration has been 57 months.

54 One detailee worked in the Productivity Clearinghouse. This detailee was nonreimbursable. Duration of the detail has been 20 months.

55 The detailee assisted in Intergovernmental Affairs area. The detailee was nonreimbursable and the duration was 45 months.

56 The detailee assisted in Intergovernmental Affairs area. The detailee was nonreimbursable and the duration was 26 months.

57 One detailee assists in the Information Resource Management area. This detailee is nonreimbursable and the duration was 61 months.

58 One detailee work with Financial Systems. This detail is nonreimbursable and the duration was 15 months.

Fiscal Year 1989

1 Observation, assist in tracking budget numbers and coordinating agency print materials. Nonreimbursable detail for one month. Part of the Women's Executive Leadership Program rotation.

2 Observation, assist in tracking budget numbers and coordinating agency print materials. Nonreimbursable detail for one month on PMI rotation.

3 This detailee was here on observation and literature review. The detail was nonreimbursable and lasted one month. Detail was part of the Women's Executive Leadership Program rotation.

4 "Budget season" rotational assignment, tracking budget numbers. Nonreimbursable detail for four months and was part of the PMI rotation.

5 Temporarily assumed the duties of the INS examiner, completing OMB assignments involving the INS and other related duties. Nonreimbursable detail for two months on a short term assignment.

6 Responsible for technical preparation of FY 1990 budget for Commerce and Justice including control tables, Director's review summary tables, maintenance of computerized data bases, and review of Appendix galley. This detail was nonreimbursable SES development training, which lasted five months.

7 Responsible for several aspects of technical preparation of FY 1990 Budget for Commerce and Justice including control tables, Director's review summary tables, maintenance of computerized data bases, and review of Appendix galley. Nonreimbursable detail for three months on temporary assignment.

8 Responsible for several aspects of technical preparation of FY 1990 Budget for Commerce and Justice including control tables, Director's review summary tables, maintenance of computerized data bases, and review of Appendix galley. Nonreimbursable detail for three months on temporary fill in for vacant position.

9-29 Individual training & experience in the preparation and presentation of budget materials, and to assist in the process of assembling the U.S. Budget. All details were nonreimbursable. Length of details did not exceed four months.

30 The detailee was a PMI trainee sponsored from GAO. The detailee was nonreimbursable for a duration of four months.

31 The detailee was a PMI trainee sponsored from HHS. The detailee was nonreimbursable for a duration of three months.

32 This detailee was sent to OMB on a training assignment with the National Security Division. The detail is nonreimbursable and the duration has been nine months.

33 This detailee was on a training assignment. The detailee was nonreimbursable and remained with OMB one month.

34 This detailee was on a training assignment. The detailee was nonreimbursable and remained with OMB one month.

35 Worked on a study discussing the possible implementation of environmental considerations in lending by the multilateral development banks. Detailee was nonreimbursable. The detail lasted two months and was part of the Women's Executive Training Program.

36 Conducted economic analysis of policy and program issues in the national security and international area. This detailee was reimbursable and the duration was two months.

37 One detailee assisted in the revision of Circular No. A-130. This detailee is nonreimbursable and was with OMB on training. Duration to date is three months working 60% of the time.

38 One detailee assisted with production of Government-wide 5 year ADP and telecommunications plans. This detailee was nonreimbursable on training and lasted two months.

39 One detailee provided support for work on Metropolitan Statistical areas. This detailee was nonreimbursable on training. Duration had been four months.

40 One detailee helped analyze regulations of USDA & DOC. This detailee is nonreimbursable on training and has been with OMB nine months.

41 One detailee provided statistical expertise in reviewing Census Bureau submissions under the Paperwork Reduction Act. This detailee is nonreimbursable on training. Length of detail has been three months.

42 One detailee was part of the Departmental Manager Development Program, Department of the Interior. He developed an issue paper outlining local, State and Federal agency concerns with EPA's pesticides in ground water strategy. This detailee was nonreimbursable. Duration of one month.

43 The detailee is a personnel specialist working in the Privatization Office. This detailee is nonreimbursable and has been with OMB 18 months.

44 One detailee was assigned to OMB as representative of DOD to provide input and analysis based on DOD's interests and the candidates extensive experience in privatization issues. This detailee was assigned on a nonreimbursable basis by DOD to work on the Department's privatization initiatives. DOD has been the primary beneficiary of his services. The detailee is nonreimbursable and has been with OMB 15 months.

45 One detailee assisted in the preparation of the FY 1991 Department of Energy Budget. This detailee is nonreimbursable on temporary assignment. Length of detail was for four months.

46 This detailee was a temporary program analyst doing data entry work for the Research and Development portion of the Special Analysis of the U.S. Budget for FY 1990. This detail was nonreimbursable. Duration was for 45 days.

47 This detailee is on a development and training opportunity and focuses on budget, legislative, regulatory, and issues concerning the Fish & Wildlife Service, Geological Survey, and Bureau of Land Management; preparing budget materials for review and decision by OMB policy officials. Detailee is nonreimbursable and has been with OMB five months.

48 One detailee was on a development and training program and assisted in the clearance of proposed legislation and cost-sharing agreements to respond to internal and external requests for project and program information and special analyses. This detailee was nonreimbursable and had been with OMB nine months.

49 This detailee is on a development and training program and reviews water resource projects, in-depth analysis of various water resource issues, and other related tasks. The detailee is nonreimbursable and has been with OMB three months.

50 One detailee is responsible for all aspects of Interior Branch scorekeeping related to the President's FY 1990 Budget; and short-term research, data entry, and data manipulation of historical and projected levels of funding for Interior. This detailee was reimbursable and had been with OMB four months.

51 One detailee assisted in the development of the President's FY 1990 budget and the transition to the new Administration. Particularly involving the Fish & Wildlife Service and Geological Survey. The detailee was nonreimbursable on rotational assignment with the Dept. of the Interior Development Program and the duration was three months.

52 One detail assists as a liaison for the President's Council on Integrity and Efficiency/President's Council on Management and Integrity. This detailee is nonreimbursable. Duration of the detail has been 29 months.

53 One detailee acts as a budget support person and personal computer coordinator. This detailee is nonreimbursable and has been with OMB 65 months.

54 One detailee worked in the Productivity Clearinghouse. This detailee was nonreimbursable and had been with OMB 27 months.

55 One detailee assisted in Intergovernmental Affairs. This detailee is nonreimbursable and has been with OMB 34 months.

56 One detailee assists in the Information Resource Management area. This detailee is nonreimbursable and has been with OMB 69 months.

57 One detailee works with Financial Systems. This detail is nonreimbursable and has been with OMB 23 months.

58 One detailee assists the Associate Director for Management. This detailee is nonreimbursable and has been with OMB for three months.

59 This detailee works in the Productivity Management Branch. The detail is nonreimbursable and has been with OMB six months.

60 This detailee assists in the Financial Systems and Policy Branch. This detailee is nonreimbursable and has been with OMB four months.

61 One detailee assisted with production of Government-wide 5 year ADP and telecommunications plans. This detailee is nonreimbursable and has been with OMB one month.

62 This detailee assists in scorekeeping related to the President's FY 1990 Budget; research, data entry, and manipulation of historical and projected levels of funding for the Department of the Interior. This detail is nonreimbursable and has been with OMB two months.

63 This detailee is a trainee with the Management Intern Program. This detailee is nonreimbursable and has been with OMB one month.

64 This detailee is a trainee with the Management Intern Program. This detailee is nonreimbursable and has been with OMB one week.

65 This detailee was sent to OMB on a training assignment with the National Security Division. The detail is nonreimbursable and has been with OMB one week.

66 This detailee was sent to OMB on a training assignment with the National Security Division. The detail is nonreimbursable and has been with OMB one week.

LEASE-PURCHASE AUTHORITY/EPA HEADQUARTERS

Domenici. What is OMB's current position on the use of Lease-Purchase arrangements to enable the Federal Government to purchase capital assets?

Response: Lease purchase arrangements allow agencies to acquire effective ownership of existing facilities or sign contracts with private developers to construct facilities and pay the developer over an extended period of time as opposed to paying the developer as the construction is completed. OMB has been concerned about how lease purchase arrangements can be reconciled with the Anti-Deficiency Act. In the Anti-Deficiency Act, Congress devised a special set of budget and accounting rules that agencies must use in reporting the commitments they have entered into on behalf of the government, rules which are quite different from those used in the private sector. The Act prohibits any contract which obligates the government to paying more than is currently available to be obligated in an appropriations account in order to "prevent agencies which do not have funds on hand from committing the government to make payments at some future time and thereby, in effect, coercing the Congress into making appropriations to cover the commitment."

We are reviewing with GSA the relative costs of financing by direct construction, lease-purchase and straight lease. While, generally, lease purchase costs are higher than direct Federal construction, there may be instances in which lease-purchase is, nevertheless, the best available alternative.

Domenici: The fiscal year 1990 Reagan budget request for the federal buildings fund includes $210 million for construction of a new EPA headquarters building in the District of Columbia. I understand that EPA concerns about the size and location of this project still need to be resolved.

First, does the Bush Administration support the $210 million request for construction of the new EPA headquarters building?

Response: The Bush administration does support the use of $210 million from the Federal Buildings Fund for the direct Federal construction of the EPA headquarters building.

Domenici: I understand the $210 million request is based on the project prospectus GSA submitted to the Congress and is predicated on a government-owned site. If the scope of the project is enlarged or land must be purchased, the funding requirement would be significantly increased. Obviously, that is something this Subcommittee needs to know before it makes its funding decisions for fiscal year 1990.

Is OMB involved in discussions between the EPA and the General Services Administration over the location and scope of this project? If so what is the status of those negotiations and what is OMB's position on this project?

Response: OMB's role in these discussions has been limited to the potential impact of the project on the budget. Direct Federal construction on Government-owned land has been recommended by the General Services Administration as the best alternative. The Navy yard property (South East Federal Center) a Federally-owned site available in down-town Washington, D.C. is large enough to accommodate a facility of EPA's size. Furthermore the site will allow expansion of the facility if needed in the future.

Domenici: Is lease-purchase authority being considered for the new EPA headquarters project?

Response: The Administration's 1990 Budget proposes funding for the EPA headquarters building in GSA's Federal Buildings Fund. However, at the same time, we are reviewing alternative financing approaches to determine their relative cost effectiveness.

QUESTIONS SUBMITTED BY SENATOR ALFONSE M. D'AMATO

BALANCED FEDERAL BUDGET

D'Amato: Throughout the 1980's there has been persistent debate on the merits of an amendment to the Constitution mandating a balanced federal budget. Several proposals have been introduced in the 101st Congress which propose such an amendment or will call for the convening of a constitutional convention for the purpose of considering a balanced budget amendment. Does this Administration believe such an amendment is wise? If so, is the Administration committed to working for its adoption?

Response: Yes, this Administration believes such an amendment is wise. For the last several decades, our budget process has demonstrated a structural bias toward deficit spending. The remedy for that bias is a constitutional amendment.

This Administration is committed to working for its adoption. In "Building a Better America", President Bush called for "a constitutional amendment to require a balanced budget, including safeguards against a resort to higher taxes as the means of complying with the constitutional mandate."

BIENNIAL BUDGET

D'Amato: Other budget policy initiatives which are promoted by several of my colleagues include proposals to institute a biennial budget process. Commentators have suggested that biennial budgeting will greatly contribute to deficit reduction by allowing longer-term planning in areas such as government procurement. Others suggest that annual review of the budget assures oversight and monitoring crucial fiscal constraint. How does the Bush Administration approach this matter?

Response: Biennial budgeting is certainly one of the budget reforms that this Administration supports. There are various biennial budgeting proposals, ranging from two-year budget resolutions with annual enactment of appropriations bills, to a two-year process for all aspects of budget and authorization legislation.

A biennial process that requires enactment of two-year authorizations and appropriations would reduce repetitive and potentially unnecessary annual actions; allow more time for oversight, review, and authorization actions by the Congress and the Administration; and provide greater certainty on funding levels for individual programs. On the other hand, Executive branch formulation and congressional consideration of the budget once every two years would increase the likelihood of erroneous economic and technical assumptions and severely limit the ability to react to changing conditions. Although some emergency budget and authorization would have tobe considered out-of-cycle, there would be heavy dependence on self-discipline on the part of both the Congress and the Administration to resist numerous revisions to budget and appropriations legislation on an annual basis. A new Congress and incoming Administration would also have to be willing to live within the constraints of legislation inherited from the previous regime until the next biennium begins.

Another approach would require a two-year budget plan but allow annual enactment of appropriations and authorization legislation. This approach would accommodate changes in economic and technical re-estimates and changing political conditions more easily within the framework of a two-year plan. Unlike the more traditional biennial budgeting approaches, it would not relieve the Congress or the Administration from the rigors of annual appropriations and authorization processes or provide more time for oversight activities.

In our view, deficit reduction is not the primary purpose of biennial budgeting, although biennial budgeting should permit agencies to operate more efficiently. Rather, the reform should provide the Congress and the Administration with badly needed time for consideration of issues not directly related to the budget, and make management efficiencies possible.

As we have stated before, the Administration stands ready to work with the Congress to achieve reforms leading to a biennial budgeting process.

DRUG CZAR

D'Amato: In reference to the Office of National Drug Control Policy:

Please state the status of efforts to find a permanent and secure space for the location of its offices.

Response: While this issue is not properly the responsibility of the Office of Management and Budget, we understand that staff of the Office of National Drug Control Policy and the White House have been closely working with the staff of the General Services Administration to locate permanent and secure space for the Office of National Drug Control Policy (ONDCP).

ONDCP is currently located at 1825 Connecticut Avenue N.W. Conversations are ongoing between the General Services Administration and ONDCP regarding alternative space. At present none seems readily available.

D'Amato: What is the General Services Administration's recommendation, and what is the time frame for consolidation of the office spaces?

Response: The General Services Administration has identified space located at the Patrick Henry Building which could, after substantial renovation, house the Office of National Drug Control Policy. The time frame for renovation of this facility would be from 6-12 months. Complete interior alterations would be necessary, including the construction of a Secure Compartmented Information Facility (SCIF).

D'Amato: Please provide me with a breakdown, agency by agency, of the plans to detail personnel to the Drug Czar's Office on a non-reimbursable basis. Please include those agencies which are requesting the Office of National Drug Control Policy to reimburse it for detailed personnel.

Response: The Office of National Drug Control Policy (ONDCP) plans to fill several positions on a detail basis, primarily in the areas of Supply, Demand, and State and Local Affairs, particularly if the tasks that must be performed are of a short duration. In such cases, ONDCP hopes to obtain the services of these employees (whom we expect to be high-level subject matter experts) on a non-reimbursable basis from other Federal drug control agencies.

ONDCP expects to determine the exact number of detailed positions and the contributing agencies following the confirmation of the Deputy Director's for Supply and Demand, and the Associate Director for State and Local Affairs.

Agencies currently providing detailed personnel on a non-reimbursable basis include:

Central Intelligence Agency	2
Department of Defense	7
Department of Energy	1
Department of Housing and Urban Development	3
Department of Justice	5
Department of Labor	3
Department of State	1
Department of Transportation	4
Department of the Treasury	2
United States Information Agency	1
White House	2
Total	31

Ten of these detailees are in the process of transferring to the ONDCP payroll.

Agencies which have requested the Office of National Drug Control Policy to reimburse them for detailed personnel have included the CIA (1), and the Office of Management and Budget (3).

ONDCP will adhere to the current OPM guidance on details "that a non-reimbursable interagency detail is permitted when the detail: involves a matter related to the loaning agency's appropriation and will aid in its accomplishing the purpose for which appropriations are provided."

PRISONS

D'Amato: The Administration's budget request for FY 1990 proposes a program to expand prison capacity.

How many new Federal correctional facilities are planned for construction?

Response: The original FY 1990 Budget Request proposes $401 million for Bureau of Prisons "Buildings and Facilities". This would be used to expand Federal prison capacity by 7,845 new beds. The new beds would be added through the construction and/or lease of four prisons and one metropolitan detention center, the expansion of nine existing institutions, and the acquisition of surplus facilities.

In addition to the original FY 1990 Request, the President's FY 1990 Crime Initiative would commit an additional $1 billion to prison construction. Further, $115 million would be added from the Special

Forfeiture Fund. Total FY 1990 resources for prison construction would be $1.5 billion and would build over 24,000 new beds.

FUNDING THE 1988 DRUG BILL

D'Amato: On January 27, 1989, Senators Deconcini, Domenici and myself wrote to you in reference to funding the Anti-Drug Abuse Act of 1988. In that letter we outlined a number of revenue collection initiatives. Two initiatives would require the hiring of additional Bureau of Alcohol, Tobacco, and Firearms agents and I.R.S. agents.

We requested that you update the estimates of gross and net revenue from last year's estimates. We further requested that you estimate the revenues generated by these revenue enhancement initiatives in fiscal years 1989 through 1992.

What is the status of the reply to our letter?

Response: New revenue and fee receipts were an integral part of the Budget Agreement negotiations between the Administration and Congress. While the Bush Budget for FY 1990 did include $55 million in BA for IRS enforcement programs to generate $318 million in new gross tax receipts, we recognized that there was support for larger revenue initiatives to fund new drug control efforts and other high priorities.

Consequently, we added an additional $59 million in BA above the Bush Budget in the Budget Agreement to generate another $150 million in FY 1990 revenues. This represents the Administration's current best estimate of the budget authority required to yield the agreed upon revenues.

We are reluctant to fund revenue initiatives beyond those contained in the Bush Budget and the Budget Agreement. Our principal concerns with any additional revenue initiatives are similar to those enunciated by GAO last year in their evaluation of new tax law enforcement efforts. We simply do not have the accounting systems in place to allocate revenue receipts between existing enforcement programs and new programs funded in an initiative. Consequently, we do not know if initiatives produce the revenue projected for them.

There is also continuing uncertainty about how late in the fiscal year appropriations are enacted, how quickly new revenue agents and collection agents can be hired, how long they must be trained, how much revenue is lost when experienced field agents are diverted to the classroom to teach new hires, the appropriate mix of examination and collection initiatives to select, the time lag between assessments and collections, the percent of assessments ultimately collected and the costs imposed on taxpayers targeted by these initiatives - particularly those who are not found liable for any additional tax.

Treasury has provided outyear estimates for the $55 million IRS revenue initiative contained in the FY 1990 budget. The net revenues, after deducting the on-going program costs, are estimated to be $563 million ($630 million gross) in FY 1991 and $584 million ($653 million gross) in FY 1992.

CUSTOMS BUDGET

D'Amato: It appears that 5 customs priority projects needed to complete the Drug Air Interdiction strategy are still not funded. What is the funding status of these 5 projects:

1)	1 -	P-3 Airborne Early Warning (AEW) radar plane (#3)	$ 30.5 M*
2)	10 -	Citation Interceptor/Tracker Planes	$ 65.0 M
3)	149 -	Personnel (to raise level from 811 to 960)	$ 5.0 M
4)	1 -	P-3 AEW (#4)	$ 30.5 M*
5)	1 -	Aerostat (originally scheduled for Bahamas; may be rescheduled for Southwest Border)	$ 23.0 M
			$154.0 M

*The $30.5 million procurement cost for each P-3 AEW's assumes concurrent modification and delivery. If AEW's #3 and #4 are separate procurements, an average increase of $5M per AEW can be expected.

Response: Our understanding is that the cost of acquiring these resources is considerably more than $154 million. According to Customs, the total cost of funding two P-3 AEWs, ten Citation Interceptor/Tracker planes, one aerostat, and support personnel is now $173 million:

1) Two P-3 AEW	$ 70 Million
2) Ten Citations	$ 75 million
3) Great Inagua Aerostat	$ 23 million
4) Additional Personnel	$ 5 million
Total	$173 million

Funds for these procurements were not appropriated in FY 1989 nor are they included in the FY 1990 Bush Budget. Customs has asked DOD to buy the Great Inagua aerostat with the $300 million it received from the 1988 Drug Bill.

D'Amato: Can you comment on the impact of this $154 million shortfall in the Customs Air Interdiction Program budget?

Response: It would be premature to comment on the impact of expanding the Customs Air Interdiction Program until Director Bennett completes work on the development of a national drug strategy. Let me point out, however, that the Treasury FY 1990 budget request to OMB indicated that the drug threat was switching from private aircraft to cargo containers. In support of their request, they indicated that the cargo exam program seizes $427 worth of drugs for every dollar spent. The air program yield is only 18:1. We agreed with their justification and approved their request for more resources to increase containerized cargo exams.

SUBCOMMITTEE RECESS

Senator DECONCINI. Thank you all very much. The subcommittee will stand in recess until 2 p.m., Thursday, June 1, when we will hear from the Office of National Drug Control Policy.

[Whereupon, at 11:22 a.m., Thursday, May 4, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, June 1.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1990

THURSDAY, JUNE 1, 1989

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 2:02 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Mikulski, Kerrey, Domenici. Also present: Senators Specter and Coats.

EXECUTIVE OFFICE OF THE PRESIDENT

Office of National Drug Control Policy

STATEMENT OF WILLIAM J. BENNETT, DIRECTOR

ACCOMPANIED BY:

JOHN WALTERS, CHIEF OF STAFF

BRUCE CARNES, DIRECTOR, OFFICE OF PLANNING, BUDGET AND ADMINISTRATION

OPENING REMARKS

Senator DeConcini. The Subcommittee of Treasury, Postal Service, and General Government will come to order. Today the subcommittee will hold its last hearing on the fiscal year 1990 budget. We are pleased to have William Bennett, Director of the Office of National Drug Control Policy, with us to give testimony on the fiscal year 1990 budget request from his Office.

This is Director Bennett's first appearance before this subcommittee. We welcome you, Mr. Bennett, and are very pleased to have you with us. We are aware of the time pressures upon you; we understand there are many committees that claim jurisdiction. We do not claim it, we know we have it, but we also want to be as cooperative as we can with you.

Before we get started, I want to make a few remarks about the fiscal year 1990 budget request for the Office of National Drug Control Policy. President Reagan's original budget contained $3.5 million for fiscal year 1990, an amount equal to the current level of funding for the Office in fiscal 1989. President Bush's revised budget request increased the level of funding for salaries and expenses to $12 million, with $8 million allocated for salaries and expenses and $5 million for research grants.

It is my understanding that the request you currently have before the subcommittee includes $12 million to support a staff of 64, but that this amount may not be sufficient to provide the staffing and research levels you believe are justified in fiscal year 1990. So, Mr. Bennett, we look forward to hearing your testimony concerning your justification for the changes.

I will submit a number of questions on the details of your budget and will not go into them today, because I have some policy questions I am interested in pursuing. Because of the high interest in the activities of the Office of National Drug Control Policy, we have opened the hearing to other members of the Senate, so as they come in we will attempt to accommodate them between Senator Domenici and myself. I am pleased to yield to the ranking member from New Mexico.

OPENING REMARKS OF SENATOR DOMENICI

Senator DOMENICI. Thank you very much, Mr. Chairman. Might I first say to you, Mr. Chairman, that the distinguished secretary, so-called drug czar for the United States, was gracious enough to come visit me yesterday, with some of my staff for about 30 or 40 minutes. I had an opportunity to share some ideas and to glean some ideas from him about this issue.

I think there can be no doubt that on one thing there is general accord. That is that the use of illegal drugs in the United States is the most serious social problem we have ever faced. That it has built within it the potential, literally, for destroying this country. And that it is so pervasive and so difficult that it is going to require far more than just the actions of the Federal Government and the new secretary, but everyone in this country is going to have to be committed to getting rid of this scourge.

Having said that, obviously we have a dilemma because clearly his charge is to get a plan ready by September 5. Even that is a very short timeframe. I understand you are prepared to tell us today that you hope to achieve that. Nonetheless, we will already have gone through the appropriations cycle for that portion of your activities that we have within our appropriations jurisdiction, and all other appropriations will be in a similar situation.

So I think we are going to have a difficult year in terms of trying to put your plan into implementation by way of changes in the law, consolidations, or new thrusts. Hopefully, however, you will come up with a dynamic plan which is changing and which we can implement over time. But I am also hopeful that even if we are through the cycle that you will come up with enough good ideas and enough changes in what we have done in the past that you will find us accommodating in terms of trying to make changes even after the cycle is completed.

You already know that many of us—I am one—have been meeting with law enforcement people in our State to get their ideas. I have many questions to ask about those ideas today, but I just want to tell you one that I hope you agree with. Frankly, in terms of law enforcement, the local law enforcement team of this country, the city police, the county police, the district judges, the State district attorneys, and the county and State jail and probation systems, and the education systems, is not Federal. And yet, there can be no doubt that it is the front line. They have been, in the past, doing most of the work. I assume they will continue to do most of it.

My very grave concern is that we have to help them do their job better. If there was any suggestion that came across loud and clear from the information I gathered, Mr. Secretary, it is that local law enforcement is in deep trouble in terms of adequate manpower, resources, technology, courts, jails, and we are not going to be able to build a substitute around that. So I hope part of your thinking—and I will ask you about some other ideas—but I hope part of your thinking is how can we help them do their job better.

We need a beefed-up FBI, and a DEA, and more Federal prosecutors, and more Federal prisons. No question about that. We need to take the casual user and use the national statute and start fining them, making examples out of them. We will talk about that in a little while. We have a very interesting new statute that you are looking at, that I had something to do with passing, that will permit us to administratively fine the casual user in this country up to $10,000, in effect, forfeitures of their property, and we do not have to go through the criminal trial. But we have got to have some user accountability out there unquestionably.

But I really believe the local law enforcement people, that front line, that infantry, so to speak—if we are involved in a war, and we are—they really need help. Thank you very much for your efforts at this point, and I hope your short- and long-term strategies are effective for this country because I really believe you have never had a job, I do not think you could have dreamt up one for you as an individual which is more important to the future of this country than to make this new secretariat work to get rid of drugs in this country. Thank you very much.

Thank you, Mr. Chairman.

Senator DECONCINI. Thank you, Senator Domenici.

The Senator from Maryland.

OPENING REMARKS OF SENATOR MIKULSKI

Senator MIKULSKI. Thank you very much. Mr. Bennett, we welcome you to this appropriations hearing. I was one of the ones who strongly supported a drug czar because I know we need a one-stop shop within the Federal Government to bring all of the resources together. We look forward to hearing from you about your national plan, and particularly about the District of Columbia plan.

One of the reasons I welcomed your appointment is because I know you are scrappy, and I also know that you like to get bureaucracy off of their guidelines and memos. I would hope today that we could have a good conversation on where you are heading from a national perspective and what you see in terms of our metropolitan area. We thank you for all the work you are doing in the District of Columbia. You know when we met I said we needed a regional approach because drugs is like squashing a tomato, you put your foot down one place and it is going to spread.

You would be interested to know that yesterday Governor Schaefer called a Maryland summit in which over 700 people from ordinary citizens to top officials got to really work on this issue. Like you, I believe drugs corrode, corrupt, and kill. We have to do something about it: interdiction, stopping supply, and of course on treatment and prevention.

So we look forward to hearing your testimony, hearing about the resources that you need, and most of all, learning how you propose to stomp out this chemical warfare that is waging on our own people.

Senator DECONCINI. Thank you, Senator.

Mr. Bennett, if you would like to introduce those of your staff who are with you today, go right ahead and then proceed with your statement. Your full statement will appear in the record.

INTRODUCTION OF ASSOCIATES

Director BENNETT. Thank you, Mr. Chairman. On my left is John Walters, who is my chief of staff. On my right is Bruce Carnes, who is director of the office of planning, budget and administration. Awaiting the appointment and confirmation of three deputies, Mr. Walters and Mr. Carnes, as am I, are functioning as our principal deputies as well as ourselves at the present time. Most everybody in my office is doing double labor at the moment. That is not a complaint, just a statement of fact and we are proud to be doing it.

SUMMARY STATEMENT

We are embarked on a venture to respond properly to what we believe and what the American people believe is the most serious matter facing the United States today. I am very pleased to be here with the subcommittee and I want to, Mr. Chairman, in the interest of time just submit my statement to the record.

As you know, we are requesting $12 million for the operations of ONDCP, the Office of National Drug Control Policy. Although this may seem like a big increase over 1989, 1990 is after all the first full year of operations and Congress and the President have given our office major tasks to perform; the formulation, evaluation, coordination, and oversight of the international/domestic drug control policies and programs of 40 Federal drug agencies, the development of the national strategy, and many other things as well.

Let me just say that since my confirmation I have met with hundreds of leaders and experts in the area of drug control. I have learned a lot from it. I think my learning curve is improving. We will, Senator Domenici, be on time with that strategy report, September 5. We have, I think, already come a pretty far distance in terms of our thinking about the strategy. Be glad to tell you the direction of our thought at this time if you or the other members would like. We will have that document with its recommendations which will be as forceful and comprehensive as time allows. But there will be something there; there will be a lot there when we present that document to you.

PREPARED STATEMENT

Let me leave it at that, Mr. Chairman, in the interest of time. Thank you.

[The statement follows:]

Statement of William J. Bennett

Mr. Chairman and Members of the Committee: I am pleased to appear before you today to discuss the 1990 budget request for the Office of National Drug Control Policy. We are requesting an appropriation of $12 million, an increase of $8.5 million over our 1989 appropriation. I am also proposing a tentative allocation of the $136 million that is to be transferred to the Special Forfeiture Fund from the Department of Justice Assets Forfeiture Fund. These resources will be used for Federal prison construction, as announced by the President in his crime control proposal on May 15th, and most probably for activities associated with my authority to designate certain parts of the country "high intensity trafficking areas".

At first blush, this may seem like very sizable growth for just 1 year. But given the fact that the 1989 appropriation of $3.5 million was intended to cover our operations for only a portion of the year, and given the substantial tasks facing this office, I believe it will become apparent that the $12 million proposed for 1990 is a very reasonable request. What's more, I believe it is vital to the advancement of this nation's drug control efforts.

Let me take a few minutes to review the responsibilities that Congress has given this Office.

GENERAL RESPONSIBILITIES

The Office of National Drug Control Policy is the President's primary Executive Branch agency for drug policy and program oversight. The law provides for four positions subject to Senate confirmation: a Director, a Deputy Director for Supply Reduction, a Deputy Director for Demand Reduction, and an Associate Director for State and Local Affairs. The Director is charged by law to formulate, evaluate, coordinate, and oversee both international and domestic anti-drug abuse functions of all Executive Branch agencies, and to ensure that such functions sustain and complement State and local anti-drug abuse efforts.

Mandated ONDCP activities include:

The annual development of a National Drug Control Strategy;

The coordination and oversight of all Federal anti-drug policies and programs covering 36 separate Departments and agencies, and the programs they administer;

The development of a consolidated Drug Control Budget for presentation to the President and the Congress (including budget certifications and quarterly reprogramming reports);

The encouragement of private sector and State and local initiatives for drug prevention and control;

Recommendations to the President regarding changes in the organization, management, and budgets of Federal departments and agencies engaged in the anti-drug effort;

Representation of the Administration's drug policies and proposals to Congress;

The participation by the Director in NSC deliberations and decisions concerning drugs;

The production of legislatively mandated studies and reports for submission to the President and the Congress; and

The establishment and oversight of numerous legislatively mandated national campaigns and commissions.

SPECIFIC STRATEGY RESPONSIBILITIES

As mandated by law, each annual National Drug Control Strategy prepared for the President must include:

Comprehensive, research-based, long-range goals for reducing drug abuse in the United States;

A review of State and local drug control activities to ensure that they are coordinated with Federal efforts;

A description of and the rationale for the appropriate balance between supply reduction and demand reduction efforts;

Proposals for private sector initiatives and cooperative efforts between the Federal Government and State and local governments;

A complete assessment of budget proposals for each Federal anti-drug program;

A plan for improving the compatibility of automated information and communication systems for Federal agencies and programs; and

The designation (in consultation with the Attorney General) of high intensity drug trafficking areas within the U.S.

As mandated by law, preparation of the Strategy for the President must involve extensive consultation with:

Members of Congress;

Representatives of Federal Departments and agencies;

State and local officials throughout the Nation; and

Private individuals with expertise on supply reduction and demand reduction.

An annual report detailing these consultations must by law be submitted to the Congress.

SPECIFIC BUDGET RESPONSIBILITIES

In addition to the National Strategy, I must also develop and present to the President and the Congress a consolidated National Drug Control budget proposal to implement the Strategy. As mandated by law, each annual budget proposal must include:

A full assessment of the resources required to implement the National Drug Control Strategy; and

Three-year projections for program and budget priorities.

ADMINISTRATIVE RESPONSIBILITIES

In addition to the Strategy and Budget responsibilities, my office also has many administrative responsibilities. Since the ONDCP is part of the Executive Office of the President, many of the administrative functions that independent agencies would have to perform are handled by the EOP Office of Administration. However, because the ONDCP is located off the White House grounds, the Office is required to perform several administrative functions itself, including mail, telephones, computers, building control, security, and negotiations with GSA (on such matters as furniture, painting, carpeting, and custodial care).

APPROPRIATION LANGUAGE CHANGE

As this Office is in a start-up phase, it is difficult to predict exactly how many resources we will need to carry out our mission. A year from now we will have a much better idea. Our budget requests $12 million and 64 positions, or $8.5 million and 24 more positions than were shown in the Reagan Budget in January.

It may develop that more positions are needed before fiscal year 1990 is over, so we are proposing a change to the appropriation language sent up earlier by this Administration. This change would remove the earmarking of $7 million for staff and $5 million for research, thus allowing us the flexibility to allocate the $12 million between staff and research activities as our future needs dictate.

Let me assure you, I intend to keep this Office lean and mean. I'm not interested in building a bureaucracy; but I may need more than 64 positions to get the job done, and therefore, I need the flexibility to go above this level if we see it's necessary.

CONCLUSION

Since my confirmation on March 10th, I have met with hundreds of leaders in the fields of law enforcement, treatment and research. I have begun the consultation process required in the statute for developing the National Drug Control Strategy by inviting the participation of Federal agencies, Members of the House and Senate, State and local officials, and private individuals with experience and expertise in demand reduction and supply reduction. As you know, we have also been working with Federal agencies and officials of the District of Columbia to consider ways to deal with the serious drug and violence problems in our Nation's capital.

I have made a commitment to the President and to the Senate that I will develop the National Drug Control Strategy by September 5th. I intend to keep that commitment—no extensions—and I intend to carry out the other responsibilities required of the Office.

Mr. Chairman, this concludes my formal statement. I would be happy to answer any questions you or other members of the Committee might have.

AIR INTERDICTION

Senator DeConcini. Thank you, Mr. Bennett. I will just begin with questioning and then yield to our two members and any other Senators who may join us.

The fiscal year 1990 budget for the U.S. Customs Service does not contain any new funding for procurement of the additional assets necessary for the Customs Service to implement its national drug air interdiction strategy. The National Drug Policy Board, under the Reagan administration, assigned to the U.S. Customs Service the lead role of implementing this air strategy.

Mr. Bennett, do you support the position taken by the Reagan administration on the national drug air interdiction strategy of the U.S. Customs Service?

Director Bennett. Yes. Mr. Carnes, would you respond, please?

Mr. Carnes. Mr. Chairman, in general the strategies that the law specifies, the strategies, memos of understanding, and other directives that were issued by the Drug Policy Board remain in effect until superseded by anything this office would do. Currently one of the issues that this office is studying very intently is this very issue of both the air strategy and the appropriate roles of various agencies.

Just to finish up quickly here, it is our view that in 6 weeks to 1 to 2 months we will be in a better position to answer that question more definitively than right now. We certainly are not in a posture to oppose the existing strategy. However, we are reviewing it and my guess is that obviously we are going to be very strongly in favor of various kinds of interdiction efforts.

Senator DeConcini. Thank you, Mr. Carnes. Mr. Bennett, in your review, have you witnessed that Customs' air interdiction program is effective, even though we know it is not fully implemented yet?

Director Bennett. Yes; I saw it in action, Mr. Chairman, in Miami, FL, I went down and saw the joint operation, Customs-Coast Guard operation there. I was very impressed. I sat through the morning briefing and then had a number of conversations during the day with officials there.

I am impressed both with the professionalism of the people, their very serious commitment and their improving effectiveness. The fact that the overall numbers are still staggering and depressing, does not in any way gainsay the important progress that they have made, the efforts they are making now, and the increased sophistication with which we are approaching this problem. As we find more funds for this program, as we get others involved in our interdiction efforts, I am optimistic that we can do even better.

Interdiction has come under a fair amount of criticism from some quarters, as if the purpose of interdiction or as if a reasonable expectation of interdiction would be to stop all the drugs coming into the country. That is not a reasonable expectation. When 24 million people are using illegal drugs regularly every month and the size of the borders of the United States, one cannot expect any interdiction effort to be even remotely resembling 100 percent effective.

What you want an interdiction effort to do is to make the enemy pay a price, make them have to think about what they are doing, make them have to redeploy, and stand up for the sovereignty of the United States. And our people are doing that. It could be better, but I am very happy.

Senator DECONCINI. Mr. Bennett, did you observe the cooperative efforts of both Customs and the Coast Guard as well as the other agencies assigned there when you had a chance to see their operations?

Director BENNETT. Yes; I had a briefing. In fact, the first briefing I had was from Customs and Coast Guard personnel.

Senator DECONCINI. What were your observations?

Director BENNETT. Very impressive. They are working very well together, and the oft-cited turf problems that we all hear about were not in evidence when I was there nor when my staff was there weeks earlier.

Senator DECONCINI. Have you had a chance, Mr. Bennett, to review the Customs Service's budget for fiscal year 1990? If so, what are your views on the fact that the budget is short by $173 million for the procurement of air interdiction assets, staffing necessary to support those assets and maintain the current schedule for full implementation of the air strategy by 1992?

Director BENNETT. I think we would want to take a close look at that, Mr. Chairman, because as I said I think those efforts are very effective and worthwhile.

Bruce, do you want to comment further?

Mr. CARNES. The Customs Service, Mr. Chairman, is nonetheless getting a significant increase in the 1990 budget proposed by the President. When you factor in the amount of funds that would be allocated to OCDETF, it really amounts to an increase of about 530 people, in addition to which there is a substantial increase in funds. So the Customs Service is getting a significant budget allocation when you take into account the OCDETF program.

Senator DECONCINI. Excuse me, Mr. Carnes, let me interrupt you. Is it not true that most of that is for containerized cargo examinations and not the air interdiction program?

Mr. CARNES. I believe that is correct, sir. I am granting your point about the air interdiction program, but I am responding further simply with the point that Customs is an important agency in this effort and they are receiving an increase.

Senator DECONCINI. Thank you. Mr. Bennett, I take it from your testimony that it is safe to say—and I do not want to put words in your mouth—that you as the Director of National Drug Control Policy are committed to see the Air Interdiction Program through to whatever its completion may be even if it is not what we think it should be today based on aerostats and P-3's, that you are committed to an air interdiction program that covers our borders and does the maximum we can do?

Director BENNETT. I am committed at least to an air interdiction program and other kinds of interdiction programs as well. When you review this issue along with the other things that we have to look at as part of an overall strategy, interdiction is obviously, to anybody who looks at this, a very important piece. You would not want to pull this piece out of the puzzle.

Senator **DeConcini**. That is what I really wanted to hear and that is what I thought was going to be your answer, because it worries me that in the course of your strategy if we do not have a full interdiction program—even if it is not as I might want to see it—if we do not have a commitment to the full interdiction program, it seems to me that we are asking for a failure because if you leave a gaping hole in the Southwest or in the coastal Southeast part of the country, we are going to see drugs flooding in there.

Director **Bennett**. Right.

Senator **DeConcini**. We see it coming through the Southwest now, because we have the aerostats and P-3's and the speedboats in the Florida area.

Director **Bennett**. I think the task and the strategy, in one sense, is to fill any holes. Indeed, even if necessary to introduce redundancy, to have backup plugs, but certainly not to create more holes, more places where the net or the barrier can be penetrated.

TRANSFER OF P-3A'S

Senator **DeConcini**. Mr. Bennett, let me ask you a couple of quick questions and then I will yield to my friend from New Mexico. As you know, the Department of Defense plans to transfer some 15 P-3A's to the Drug Interdiction Agency this year. It is my understanding that Customs could use two of these P-3A's to support its surveillance mission and has made the request to DOD for two aircraft. It is my understanding that DOD is willing to transfer the P-3A's to the Customs Service but they are being blocked from doing so by OMB, who says that no interdiction assets will be transferred until the drug czar comes up with the national strategy.

Are you aware of this request and that OMB is stopping it? And if so, is this not contrary to what we just talked about following the policy that is already set, which is very clear, to use these P-3 airplanes?

Director **Bennett**. I think I would, if possible, like to wait some on it until we sort out, as we were talking about before, Mr. Chairman, the exact relationship of Customs, Coast Guard, Department of Defense, and other players in this effort. These are delicate and intricate matters. I know that members of this committee and others have commented on a couple of occasions there has been too many indications of we are waiting for Bennett, we are waiting for the report, we are "waiting for Godot"; when do we act?

This is a somewhat delicate matter. It is a matter involving introducing new players to the game, to the strategy, and I think we would want just to buy a little more time on this one if we could.

Senator **DeConcini**. Mr. Bennett, I can appreciate that. But it seems to me that that runs in contradiction to what Mr. Carnes and you have said, that between now and the release of your strategy plan on September 5, that the National Drug Policy Board plan that is already laid out is in place and is supposed to operate. So your office assumed that the policy implemented by the National Drug Policy Board would continue until you issued your strategy.

When OMB Director Darman was before this committee, he stated that no funds were requested for interdiction in fiscal year

1990 because he wanted to wait and see your national strategy first. The problem we are faced with is that we are implementing the policy of a former administration, which was to stay supposedly intact until the drug czar formulates the national strategy which is not due until September 5.

Until that strategy is in place, it seems to me that these law enforcement agencies need to rely on something, and to have the support of the administration financially to proceed until your strategy comes out making what changes that it may make. How do you resolve that?

Mr. CARNES. Mr. Chairman, it is quite correct that the Department of Defense has surplus P-3's that it is willing to turn over to the drug agencies. We have been advised that this is not entirely without cost, however, to the Government, inasmuch as the estimates that we have received indicate that to fit these aircraft for the drug interdiction mission will cost $35 million a piece.

I think one of the points that the Director is making is that these are significant expenses. The DOD planes are not going to go away. Should the strategy recommend the acquisition of those particular assets, those assets will be there. In the meantime, our view is that the study should proceed to ascertain the appropriate mix of the various kinds of sensors and platforms for mounting them as we pursue the air interdiction strategy.

Senator DECONCINI. Let me just impress on you my concern with this. The question is, can we afford to wait until September 5 when we do have a law that says the policy that is in force and effect now will be the policy and will be continued? If you are so committed to an air interdiction program, and if there are planes that can be transferred—two questions. Why do you not ask for the $35 million to equip them?

If the answer to that is, well, we are not sure about our strategy and if it is going to include them, why not transfer the planes now so that Customs can have them even in a stripped-down version, so they can train pilots and be ready for whenever you do come up with them? We are only talking about operation and maintenance money then. It seems to me that you are opening yourself to criticism, that while you are doing the strategy you are really not pressing any policy now. If I read my constituents correctly, and people up here on the Hill, they want a policy now as well as whatever your final strategy is.

Mr. WALTERS. Senator, if I might. I think, first of all, we agree, there is a strategy now and there are a lot of people working hard on the issue of these two airplanes. I think the question in our mind is, the military is taking aircraft that it now considers to be obsolete. The question is, do we spend $35 million per aircraft to refit them and put them on the network that now exists? What we are saying is, we asked to wait a couple of months to see if that $35 million in that platform, spent in that way, was most effective given the range of things that we are looking at now with DOD, with the existing enforcement agencies.

It is just the cost and the fact that we are fitting obsolete aircraft. This is not the best America has to do this job.

Senator DECONCINI. But are you aware that Customs will take them without the $35 million? Sure, they would like to do that and move ahead, and I think we should, but that we are not going to do. We can see that. The administration is not going to ask for that money. We are just talking about transferring them over there. Customs can use them in the next 3 or 4 months for surveillance without the AEW on top of them.

Mr. **WALTERS**. The impression I got from discussions we had within the administration was that they really need them refit to be effective.

Senator **DECONCINI**. Surely for the long-range strategy or the strategy that is now in place they do.

Director **BENNETT**. In light of what you have just said—I mean, that was indeed our understanding too, but in light of what you have just said about their interest in having them, refit or not, we will certainly take another look at it.

Senator **DECONCINI**. Thank you.

The Senator from New Mexico. If the Senator from New Mexico will yield, I will yield to Senator Kerrey if he has any opening statement only at this time?

Senator **DOMENICI**. I would be pleased to yield.

Senator **KERREY**. No; thank you, Mr. Chairman.

Senator **DECONCINI**. And the Senator from Pennsylvania if he has any opening statement only at this time.

Senator **SPECTER**. Thank you, Mr. Chairman, I do not.

Senator **DECONCINI**. The Senator from New Mexico for questions.

STRATEGY DEVELOPMENT

Senator **DOMENICI**. Mr. Bennett, obviously, the plan emanating from your office under the direction of the statute and the direction of the President is not due until September 5. You indicated already to us that you hope to have it ready by then, and you hope it will contain some very valid suggestions toward implementing this war on drugs.

Might I ask you in a general way, since it would be unfair to ask specifically, how do you go about in this job putting together such a plan as it pertains to the other departments and agencies of Government? One of the things that we all know, those of us who have been trying to find out what we could do, is we have a very diverse group of Federal agencies who have had a responsibility in this area or who have had additional responsibilities piggybacked onto their natural ones in the law enforcement area, in the interdiction area, in the education area, in the prison system area, and on and on.

Your role is the coordinator and the President's right-hand man to try to get a plan implemented. Could you describe in just a few moments how you go about thinking through the relationship of all of these departments to your plan and your proposal? Will they be integrated, or will it be something different than my question seems to have in mind?

Director **BENNETT**. Good question, Senator. I think I can answer it.

I think you start, at least I started in terms of developing an idea of what my ideas for Government should do, not in the first instance by talking to Government but by going outside Government.

We have asked the experts in Government, both people on the Hill and people in the departments and agencies, for their suggestions and advice, what they think we should do. We have asked them both in general and specifically, relative to their expertise.

But I started by going outside of Government and having a series of meetings with people who are in a position to know about some aspect or other of this drug problem, be it corrections or treatment or law enforcement or education. I asked them, rather than taking the shape of Government and the current system of Government as the given which would then be imposed upon the rest of the world, find out what the best thinking in the country was and see if we can impose that best thinking on the structure of Government.

Those series of conversations have yielded some very interesting conclusions or results to me. First of all, the most encouraging thing I have found during these conversations is that the American people are very serious about this question and are ready to move, they are ready to act. One measure of how serious they are, Senator, you know I am a pretty conservative fellow. I am struck in how many conversations I have, at the end of the conversation, how many people are still to my right on the drug issue. That tells you that there is some earnestness out there.

It is not on a host of issues that I have been regarded as a moderate. I did not think I was particularly moderate on this one, but the American people have just had it up to here with drugs and they are ready to act. They want us to act and I think they are not going to take very many more efforts on our part seriously. They expect us to be serious and to do it right.

Second, they think that everyone in Government should play. Everyone is at the table, every department, every agency that has something to contribute should contribute. Even those who are willing or uneasy, if they have a part to play they should be there, and I agree with them on that.

I do not want to go on and on and on. You gave me the opportunity to, with a broad and open question, but let me say this. It strikes me that it is wrong, flat out wrong, to say, as some have said already, a GAO report and a couple of columns that have come out have said that you should not look at everything, you should take just one part of this thing, bite off one piece and push on that, be it treatment or interdiction or education, that you cannot cover the whole universe. You cannot do everything, so just concentrate on one thing.

That is wrong, wrong, wrong, and doomed to failure. If you just push on one part of this problem, there is the tomato, it is going to go somewhere else. It is a mistake.

Like it or not, we have got to push at every point. We have got to move on the treatment side, and the education side. We have got to move on interdiction and supply side and everything in between. We have got to do it all at once, all together now, with strength and with firmness and with commitment and with more resources, probably. That is the best chance that we have.

If this is a war, and the President said in a recent speech, the war on drugs is no metaphor, he said he meant it, then we have got to push on all fronts simultaneously. Anybody who says that is overreaching does not understand how large this problem is and how large must be the response to it.

LOCAL LAW ENFORCEMENT

Senator **Domenici**. Mr. Chairman, I have two more questions and then I will yield and assuming we will get a second round before we finish today, save some for them.

Mr. Bennett, let me just follow up on that. I have, sitting here on my left, a Senator from Pennsylvania who has been involved on the prosecuting side as an attorney general and a district attorney. He is constantly reminding us in the U.S. Senate, even before we had this war on drugs, about a war on crime. He is talking about putting those who are really responsible for crime in jail and making sure they stay there. He has had a number of initiatives for those who are habitual criminals, and he is constantly reminding us about jail facilities and the like, because he knows what he is talking about.

Now I ask you, in your quest for information about what is going on, have you had the opportunity personally or vicariously to visit a local law enforcement department of an average sized city, 300,000 or 400,000, and see the problems that they are having? I have had them tell me if we had the resources, the prosecutors and the judges, and a place to put those arrested and convicted in 1 month we could get 75 to 700 people who are involved in drugs off the streets of the city.

But we do not have any of those. We have just a little bit of each, long delays, no place to put them, just a host of things. It seems to me that some national strategy has to evolve out with reference to the law enforcement side that is much more committed, both in resources and in zeroing in on keeping those people who are dangerous off the streets prior to trial and then getting them put away for a reasonable period of time, all in the full light of day.

It seems to me nothing is going to frighten these people more than to know that the king pin in the neighborhood really went to jail. I would surmise that the local arrest and incarceration of the gang here in this city, headed by that young man, Edmonds or whatever his name was, and he did not get out on bond, nor did his family, I would surmise that that has sent some kind of shivers into the drug peddling community of this city.

That has to happen, in much greater dimension, across this country. My last question or observation is, if that is right, are you going to tell us, in no uncertain terms, that we have to do something about that?

Director **Bennett**. Yes, sir. Yes; the people in the trenches, as you referred to them earlier, Senator, the police officers, law enforcement people in our local communities, towns, cities, knew we were in a war on drugs before a lot of the rest of the country did. They knew it because they were shot at in it, and some of them killed and wounded in it. They need our help, they need our support, and they very much deserve our gratitude for being in the front line.

It varies community to community but there are some patterns. Not all communities need more police. In some communities the police force is adequate, but you need tremendous help in prosecutors and judges and in jail space. That is almost a universal requirement.

In other communities, you need help just with the police department. I was talking to a commissioner of public safety in your State who was explaining to me about a situation where you have got a two- or three-man force in a community, a small community, and that community is all of a sudden taken over by crack or crank and a two- or three-person department is not adequate to the effort.

I think it was wise to do what the President did, which was to reinstate, put back in, these grants to State and local law enforcement. It is something that we believe in and should be continued. Yes, sir; the first line of defense.

Senator DOMENICI. Thank you, Mr. Chairman.

FUNDING PRIORITIES FOR FISCAL YEAR 1990

Senator DECONCINI. The Senator from Maryland.

Senator MIKULSKI. Thank you.

Mr. Bennett, before I get into some specific questions, like those about our regional situation, I have a question about where you think the biggest gains could be made, and therefore where we should maximize our resources in fiscal year 1990? That is, in drying up supply, or drying up demand?

With you, I would agree, we just should not take one aspect, but we do have to set some priorities in funding. If you were making recommendations to this committee and other subcommittees I serve on, where do you think we could get the biggest gain in the quickest period of time, and therefore make that effort?

Director BENNETT. I do not know. I am not dodging your question, Senator, I just do not know. As I am looking at this thing, again, I think that not only does the pressure have to be put on all points, I think it has to be equal pressure at just about all points. I could not give you a more precise answer than that.

It all depends on which aspect of this problem you want to address immediately. As you travel around and look at the various battlefields of this problem, my priorities have changed. That is, I do not think they have changed overall, but if you see citizens in an urban community being terrorized, afraid to come out on their streets, you say what we need is more urban law enforcement or more local law enforcement so we can fulfill the terms of the social contract.

COCAINE BABIES

If you go, as I went last Friday, to treatment centers—I started at Harlem Hospital—and you see the neonatal clinic and the 1-pound cocaine babies, and see the numbers of 375,000 cocaine babies this year in America, then you say we have got to do something about that. It is something else to decide what is it you do about that, it is not altogether clear what one does about that.

I guess I do not know how I would answer, except to say in those situations where—and maybe this is my way of——

Senator MIKULSKI. You have got the committee on the edge of the chair by a number you just shared with us. Did you say 375,000 cocaine babies are born every year?

Director BENNETT. Last year in America.

Senator MIKULSKI. 375,000?

Director BENNETT. Yes; I may be wrong about just cocaine, but it is either cocaine and other illegal drugs.

Senator MIKULSKI. But 375,000 addicted babies were born?

Director BENNETT. The doctors are not sure they would say the babies are addicted. They do not know, but they are born with illegal drugs in their system.

Senator MIKULSKI. One of the first things that the pediatric staff has to do, physicians, nurses and so on, is to help those little babies who have to go through their own little detox, their own withdrawal because those babies' first breath of life involves drugs.

Director BENNETT. Yes; and for many of the babies, the babies who are on heroin, their skin is sensitive to the touch, and therefore the nurturing that the mother or the person taking the place of the mother would apply by lifting the child up to comfort it, will be painful to the child.

In the street in New York, I was told by the doctor that the word amongst some people is that if you take crack you will have an easy delivery. And they said in a way, you will. You will not feel much, you will deliver quickly, in about 6½ or 7 months, and your baby will be so tiny that it will be delivered pretty quickly. It will weigh 1 pound or 1½ or 2 pounds.

Senator MIKULSKI. What you are actually saying, Mr. Bennett, is that whether it is interdiction, protecting our borders, or prevention and treatment, we have just got to keep moving?

Director BENNETT. We have to. If you stopped drugs in their tracks today, right now, you would still have 375,000 babies to raise. When these babies go to foster homes, I have been told and have read that they bounce through foster homes at the rate of every 3 or 4 months. Foster parents, some of the most dedicated people in the world, who take these children, many say they cannot keep the children for more than a few months because of the behavioral and other problems that these children have. This is a catastrophe.

PREVENTION AND TREATMENT

Senator MIKULSKI. I think what you are telling us, Mr. Bennett, is indeed chilling. I know that Senator DeConcini and others have focused on interdiction. I would like to pursue just a few questions on prevention and treatment.

As I understand from my own research, we can only meet about 15 percent of the need for detox. Yesterday at the Governor's summit, we heard that whether it is in little Garrett County in western Maryland or a big city like Baltimore, there is a need for detox centers, et cetera.

What I also heard, Mr. Bennett, was that not everybody knows what works? Just what does work? I have had local county commissioners to big city types saying what works? Where should we put our money? Should it go into a big camp-like, tough detox program? I could go through a variety of examples of treatment programs.

My question, Mr. Bennett, is, No. 1, are you doing an inventory or clearinghouse on models that work which can be implemented by local communities, so we do not have to keep reinventing the wheel on this? We know that there are some traditional ones, like Narcotics Anonymous, which by the way I happen to be a very firm believer in.

And No. 2, what recommendations would you have in the area of detox and prevention so we do not have 375,000 babies being born who have tasted crack and cocaine and heroin before they have tasted their own mother's milk?

Director **Bennett**. By the way, Senator, some of the small children who come into the hospitals do not have drug problems because of the mother, they have a drug problem because they live in a crack house. As with passive smoke, they absorb or ingest a fair amount of crack smoke into their system and thus become poisoned.

It gets worse and worse. I have not told you the worse level.

On treatment, I agree with you, this is a very important area. We have to find out what works. The quick answer is any thought out, well-intentioned effort by good and committed people works, to some extent. You have therapeutic communities which do not offer drugs of any sort to their residents. These are communities like Phoenix House. I visited Phoenix House in New York. They are very impressive, they do a very good job, and Day Top Village, things such as this.

All of them have about them a similar structure or pattern. They emphasize getting a hold of yourself, personal responsibility, and self-discipline, taking charge of your life. All of them have about them a kind of tough love quality. If not boot camp, they are very strong on keeping one very busy. They all say something very much like what I remember hearing when I was in school, an idle mind is the devil's workshop. They keep people busy, busy, busy. They do not let them wander far. Maybe I now know where Sister Jean has gone, after teaching me in third grade. She is perhaps at one of these treatment centers.

They are very tough places, but they feel they need to be tough in order to impose and to rebuild the character that has been lost in the drug problem. They work very hard in these places, they emphasize physical activity and what they regard as morally constructive activity.

The success rate varies from place to place. There is not a place in the world that claims 100 percent success. Unfortunately, social class and background have a lot to do with success. If you are talking about rehabilitating doctors and lawyers and Congressmen, your success rate is probably, in most places, above 50 percent. If you are talking about rehabilitating someone from poverty who does not have a job, it is probably more like 10 to 30 percent. Resources matter. Not just material resources, the resources of family, of church, or support.

Senator **Mikulski**. Post-detox.

Director **Bennett**. Right, all of these things matter.

What was very important to me to learn, because I noticed that some people like to introduce a disjunction between law enforcement and treatment, what struck me in talking to people in treatment was how important they regard law enforcement, back to Senator Domenici's point.

I asked everybody I talked to in treatment what will determine whether you will be OK, once you get out of here. Without exception, they said if there is a lot of stuff out there on the street, it is more likely I will be back in here, than if there is not.

Also, I was struck by how many people in treatment, they are the toughest people I have visited with, in terms of the drug issue. In Miami, at a treatment center, I asked the people at the treatment center, I am the drug czar, I said what should I do, and they said kill all the dealers. Kill them all, because that is the only way out of this. They had no hesitation about this.

They understand, in a way that many of us do not, that the availability, the easy availability of drugs, which is all too true in our cities, is not only the reason for them being there, but they believe the greatest possibility for their relapse once they get out.

Senator MIKULSKI. Mr. Chairman, I have many questions. I know that there are others who are waiting eagerly. I had the opportunity to quiz Director Bennett when he was Secretary of Education. This is a man who is obviously, if I may say about you, Mr. Bennett, going through his own transformation.

Director BENNETT. No; same guy.

Senator MIKULSKI. You are the same guy, but I will tell you, I think this has really gotten a hold of you and grips your attention, not that education did not. I say this very kindly. I mean this in a very congenial way. I think the intensity in which Director Bennett is presenting his testimony, whether it is about the children or the treatment, shows that as he has moved around and looked at this. This is a situation that I think you feel is even worse than what you thought. Am I safe in saying that?

Director BENNETT. Yes; that is true. But if it did not get your attention, you would have to be a cadaver, and indeed one may end up as a cadaver, in this kind of situation.

You are right. When you see this, hell, it is the American nightmare, is what it is. At Education, there are a lot of bad stories, there are a lot of things that should not be, but there are an awful lot of bright spots. Right now, there are not a lot of bright spots in this one, except the American people who are ready.

Senator DECONCINI. Mr. Bennett, the good news is we may have some air conditioning in here shortly. The Senator from Pennsylvania is recognized.

OPENING REMARKS OF SENATOR SPECTER

Senator SPECTER. Thank you very much, Mr. Chairman.

At the outset, Mr. Director, I compliment you for the work you are doing. We stand ready to help you. I have had a chance to discuss these issues with you, both informally and in the Judiciary Committee.

I am interested in all you have had to say, but especially interested in the crystallization, where you make the comment that the

American people are serious and ready to act, and people have had it and want us to act. I am concerned about the timetable that we, you, are on, on a September 5 report. On that timetable, we stand to miss much, if not virtually all, of the planning for fiscal year 1990.

The chairman has asked questions about some utilization of aircraft, and it seems to me that while you certainly need 6 months to have a comprehensive plan, that there may well be some items that you know about at the present time. I believe that the Congress and the country are not approaching the drug problem with a sufficient sense of urgency.

I do not say that about you or about this committee, but I think many do not. When you say that people are serious and ready to act, and they have had it, I think that is exactly right.

This is a unique day because, as we sit here talking, the Senate is considering the urgent supplemental appropriation which is doing nothing about drugs, notwithstanding the fact that there is no more urgent problem in this country than the drug problem.

Yesterday, the chairman of this subcommittee introduced an amendment before the Appropriations Committee to utilize $230 million which has been appropriated to the Department of Defense for drug usage but not used, to apply directly. Earlier today, this Senator introduced an amendment to take $70 million of that $230 million and apply it for prison beds, because you could, by use of military installations, have up to 35,000 new beds with $70 million. That DOD funding is not used at the present time.

The President has come down with an affirmation of what many of us had talked about, more agents for the Bureau of Alcohol, Tobacco and Firearms, so that we can use the Armed Career Criminal Statute and other mandatory provisions to go after drug sellers.

FUNDING PRIORITIES FOR FISCAL YEAR 1990

My question after that perhaps too lengthy introduction is, is there a way that you can participate now in at least some of the obvious recommendations, so that you will have an input as this subcommittee makes appropriations for Bureau of Alcohol, Tobacco and Firearms agents, and as other subcommittees of appropriations look at the prison situation, on the really gaping sores where we ought to be able to apply at least some first aid at this moment?

Director BENNETT. Yes, sir; I would be glad, to the degree that I think I can answer intelligently and responsibly. The fact that the Congress has built a lot into this position, my position, and the strategy obviously does not relieve the President or the Congress of the responsibility of acting and acting now, nor does it relieve any of my colleagues from their responsibility to act. It would be a mistake to do so.

Also, we have to remember, I may be trying to get up to speed as fast as I can on this, but there are an awful lot of you there and elsewhere who have thought long and hard about this issue. I would not want to suggest that without my wisdom wise decisions could not be made, because certainly they can be.

I would be glad to offer you my opinion on things, Senator, as best I can but it would be possible I take it, later on in September to talk about, based on the strategy and the comprehensive plan we put forward, to talk about some shifts, some reprogramming requests or other things. I will not be shy in telling you what I think about things, I just do not have it all together yet.

I can tell you the direction we are going, what I think about this, what I think about that, but it has not all congealed yet. But if you have a particular issue—on the military, on the Department of Defense thing——

DOD FUNDING

Senator SPECTER. Have you had a chance to take a look at what the Department of Defense is doing? I find it personally very frustrating to see a letter from the Secretary of Defense, who is a very able man, coming over and saying leave the $300 million alone, even though DOD has only used $30 million of it, and a plan was requested, and on May 19 after they had missed a number of deadlines, they have a bunch of vague generalizations.

Are you sufficiently familiar with the DOD approach, to render an opinion? I know, in asking you to do this, it is awful tough. Perhaps it is an inappropriate question, since you are part of that team.

I guess really what I am getting at here is just a sense of frustration. The House has put $822 million in their emergency supplemental. The Congress, with great rhetorical flourish last year in October, passed a bill authorizing $2.7 billion. We have not put up the money.

Can you weigh in on this in any manner and help us get some resources?

Director BENNETT. I would say this, I understand the inclination to raid the Defense Department bank, but to say all right, look, we are not entirely happy with what you have proposed, so we are going to suggest spending some of the money elsewhere. The things you propose, prisons and other things, are obviously very sensible.

I guess my worry here is more general, and that is one of principle. The Department of Defense has to recognize that it is part of this effort, that if we have a war on drugs, the Department of Defense has a place in this war on drugs. I think Secretary Cheney understands that. He and I have had good conversations.

I am sure there are some people at the Pentagon who, when I go over to visit, as I have, run down the hall as fast as they can and say to Dick Cheney here he comes, say you are not here, you do not want to talk to this guy. This guy means trouble.

I do not mean trouble. I just mean to see that everybody does their part, as best we can see.

I do not want to move a lot of money out of the Department of Defense budget in the war on drugs, and thus to establish—even if indirectly—that somehow the Department of Defense's effort should be transferred to domestic efforts; and therefore they are out of the game. That is my concern. I have no argument with any of the things they are being spent for.

Senator SPECTER. I am not going to ask any more questions, Dr. Bennett. It is too early and, candidly, too hard for me to pose the question as to what you know about their use of the $300 million and whether you are satisfied with it. That is really what is on my mind, but I am not going to pose that question.

What I would urge you to do, you have demonstrated that you operate with a sense of urgency. That is one of the things that many of us like about your operation. I think you are going to have to use every ounce of your tenacity and your imagination and your willingness to speak out, which you have already demonstrated before, in this bureaucratic mess.

When I see my colleagues vote against taking 70 million dollars out of 230 inert million dollars, to put together 35,000 prison beds which would advance by 120 days incarceration, to demonstrably cut down over 4 million crimes, I find it extremely frustrating, to use a very mild description. I just hope you will get in there at the earliest possible moment and really raise hell about what is not being done by the Federal Government on the drug problem.

Thank you.

Mr. CARNES. Pardon me, Mr. Chairman. Senator, if I could just add one point, we understand your concern. For your information, we do expect a detailed spending plan and reprogramming request from the Department of Defense for $60 million of that $300 million by June 15. We expect a detailed spending plan for the remainder of those funds by the end of June, that will break out in detail the uses. They have generally briefed us on what their particular activities are.

I am sure you are aware, there were a variety of spending delays that were, in part, mandated in the legislation that caused this.

I will say that DOD approached this, in my view, in a serious manner. They surveyed all the CINC's and have gone through a massive planning process. We expect to see the fruits of that very shortly.

Senator DECONCINI. Thank you, Senator Specter. Let me just ask you is not that plan supposed to be detailed and presented by May 1? Are they not now going to be 6 weeks late in getting that plan?

Mr. CARNES. I believe that is correct, Senator.

Senator DECONCINI. The Senator from Nebraska?

Senator KERREY. Mr. Chairman, I have some detailed questions that I would submit.

Senator DECONCINI. Without objection, they will be submitted.

OPENING REMARKS OF SENATOR KERREY

Senator KERREY. Mr. Bennett, I just got off a campaign. I was just recently elected and I remember fondly now campaigning, asking essentially why the Congress cannot do anything about the problems of America. And since I have been elected I have been explaining why I and others have not been able to do anything about the problems of America. This one it seems to me to be no exception.

In part I hear in your testimony some sense that maybe the American people are going to take care of this one on their own. They are committed to do something. They want to do something, all sorts of things that the local, other than voluntary, as well as through Government, and it may, in fact, be that that is our best hope.

But I am also very much aware that it is possible for the U.S. Government to play a significant role and I must tell you without working up a head of steam on this thing, I think in the 1980's, the Federal Government has failed miserably. I have heard a lot of talk and almost no action at all. I think the Federal Government's response has been pathetic.

And I think it is as a consequence of what I said at the start, I understand that there are some things that we simply do not want to do. And when I say we, I do not mean just Congress, I mean the American people. And in large part, it seems to me that the drug problem in America is going to be resolved by us doing some things that we do not like to do. But that is the essence of the message that the first lady put out to America for a long time. Just say no. I mean saying no means to exhibit some self-restraint to do something you do not want to do.

We like to talk tough. I must tell you I am growing weary, almost get angry at people who like to get up and front the tub, making the audience believe that if we impose a death penalty, right straight along the line, that the drug problem is going to go away, or if we put everybody in prison or just give a speech about putting everybody in prison, the drug problem is going to go away. I mean, I hear a lot of tough talk because that is kind of fun to do. You can generally get an applause line, you can work an applause line into a tough speech about drugs.

It seems to me though that we do not like to spend money. The chairman and the Senator from Pennsylvania, as well, were talking about that very subject. We just do not like to follow through and spend money. I mean your request itself in your testimony you say you have to rationalize why you are asking for what appears to have been on a percentage basis a large increase when compared to the rest of the Government, it is a relatively small amount of money that you are asking for.

We do not like long-term commitments, and it seems to me that that must be a part of your plan. Again, the chairman isolates the efforts that Customs is doing with air interdiction and once we got something going like that, it is very often difficult for us to sustain the effort. It is not the latest flash on the news tonight. That one is pretty well going; it is in place, so forget about it. Let us find out what is going to be on the 6 o'clock news tonight and then get on to that one.

It is hard for us to sustain an effort. We do not like fighting bureaucracy. We like to talk about it, but we very often have a tough time sustaining an effort against the bureaucracies. We do not like local control. We talk about it but we do not permit it to happen very often. And I have seen that almost constantly going on. Somebody will get an idea. They see something that works, and the next thing you know, they want everybody to do it.

We do not like failure. And as a consequence, it seems to me it is difficult for us to do, what for me, is perhaps the most important of all, and that is just go to one human being and say, what can I do to help you. To that individual who wants to habilitate themselves and put their lives back together. If we do that, we are apt to fail. And you know that, you have touched on some experiences you have had already. You are almost guaranteed to fail, at least some of the time where you are trying to help one person.

And finally, we do not like to offend one another. We do not like to say things that will offend the President. I do not like to say things that will offend you. You may like saying things that offend me, I do not know. But you are not typically in a position where you like to offend people, particularly your friends. And it seems to me in this effort, perhaps most importantly, we have to be willing to set that aside. That is a long introductory statement to ask one simple question. Then we are all going to go vote, I understand.

ALCOHOL ABUSE

What is your opinion of the recommendations made yesterday by Surgeon General Koop in regards to alcohol abuse in the United States of America? And the recommendations that he made to do what he thought was a rather important thing to do which are the proposals that he made that he thought would reduce motor vehicle homicides with motor vehicle deaths related to alcohol by 8,000 to 11,000 U.S. citizens a year. What did you think of the recommendations he had in that?

Director BENNETT. I have not had a chance to look at them, sir, sorry. It is not my beat.

Senator KERREY. What do you mean, that it is not your beat? Do you think that the problem of alcohol is not?

Director BENNETT. By legislation, it is not. Controlled substances is what I am suppose to address. Obviously, alcohol is a very serious problem. Alcoholism is a very serious problem. Alcohol is often a gateway for kids to get into illegal drugs, but I am not supposed to by legislation address that issue as a matter of focus.

Senator KERREY. The statutes specifically direct you not to engage in——

Director BENNETT. It says we are talking about controlled substances.

Senator KERREY. And alcohol you regard as not a controlled substance?

Director BENNETT. We have talked about this at the judiciary confirmation hearing and I asked for clarification on it, and we will and indeed have talked about alcohol as a gateway to other drugs.

Senator KERREY. Alcohol is a controlled substance as well.

Director BENNETT. Right, but not as I understood it under the meaning of the intention of the committee creating this position in the 1988 act. I would be glad to review those recommendations and talk to you about them. I just have——

Senator DECONCINI. If the Senator would yield, I do not have that legislation before me, but I recall that in the drafting of it we did make some reference to alcohol abuse and treatment centers for that. Did we not?

Director BENNETT. Perhaps.

Mr. WALTERS. I think the only area is in regards to education prevention for young people where there is an overlap, otherwise it uses the definition of controlled substance in Federal statute.

Senator **DeConcini**. I am going to take a look at it. I stand corrected, if I am wrong.

Senator **Kerrey**. I am going to look at that detail of statute. I think it is a mistake to set you up as drug czar and give the responsibility for trying to curtail substance abuse and then take away from your beat, perhaps our No. 1 drug problem in many ways in terms of number of people killed. In terms of impact upon lives and from my experience with the individuals that we incarcerate in Nebraska, an awful lot of those individuals are not incarcerated as a consequence of substance abuse that you are referencing, but of alcohol.

Director **Bennett**. It is a serious matter, Senator, I do not deny it, but I think the analysis of the problem, the kinds of proposals one would recommend for solution would in many ways differ, if you are talking about alcohol than if you are talking about cocaine or heroin. It is a different kind of problem. They overlap obviously when we are talking about young people, keeping them away from both is important, but in terms of public policy, in terms of law, in terms of interdiction, supply problems, they are fundamentally different.

Senator **DeConcini**. Senator, I am going to yield to the Senator from Indiana for any questions he wants to ask before the vote. I am going to go vote and then come back. Mr. Bennett, we would like to do another round with some of us here.

Director **Bennett**. Sure.

OPENING REMARKS OF SENATOR COATS

Senator **Coats**. Thank you, Mr. Chairman, and thank you also for the opportunity to join your panel.

Senator **DeConcini**. If you can stay a few minutes here, we will be right back. If you need to leave, you can just wait, Mr. Bennett, we will be right back. Please proceed.

Senator **Coats**. I am not a member of this subcommittee, but I asked for the opportunity to come by and ask a couple of questions. It looks like I am going to have the floor to myself for a few minutes. As you know, I am a strong supporter of you and your position. I cannot think of a better person to head up this effort. I realize it is almost an impossible task. It is a task that requires a great deal of attitude and behavioral changes on the part of the American people that no legislator, no Secretary, no drug czar can write into regulation or law and bring them about.

So I appreciate the difficulty of your task. I just hope that you will be as bold and aggressive and forthright as you have been in your other positions in Government. I encourage you to do that. Because I think that ultimately leadership, rhetoric, and kind of a model you can project for the rest of the country is as important, if not more important, than the kind of edicts that you might issue or laws that Congress might pass.

A couple of years ago I wanted to go down and see firsthand just what the problems were on the supply side, so I went to Miami and spent 2 days with the Customs people and drug enforcement people. I did all the things one usually does—walked the docks, rode in the boats, flew in the helicopters, looked at the radar, and saw the comprehensive task force effort that was under the direction of then, the Vice President.

I came away very discouraged and very convinced that while we need to do everything we can on the supply side—interdiction by going to the source, law enforcement, et cetera—but that as long as the demand is there, the supply is going to follow. It is going to be there. There is always somebody that can be bought off. There is always a way to get the stuff in the country.

And so while I think it is absolutely important that the United States take a very firm stand on trying to dry up supply and that is why I am committed to providing necessary funds to do that, I think it is equally, if not more important, to work on the demand side. I have been searching in Indiana and around the country for models on how we can best go about that. I am interested in working with you on that effort.

COCAINE BABIES

I have two specific questions before I run to vote. We are proud of a lot of things in Indiana, but one thing we are not proud of is that in Indianapolis we have the highest black infant mortality rate among large cities in the country. In talking to some people at the Indiana University Medical School, Department of Pediatrics, they indicate that there is a significant portion of the infant health problems related to drug abuse. I am wondering if you have had an opportunity to look into this problem? Do you have any thoughts or comments about it?

Director **Bennett**. Yes; we were talking about it earlier, Senator. I was telling Senator Mikulski about my visit to New York last week and going to the Neonatal Unit at Harlem Hospital and looking at the figures and looking at the babies and hearing the numbers that are cited. Some 375,000 babies were born last year with cocaine or other illegal drugs in their blood. But this is probably the saddest front in the war on drugs. This is one of the saddest casualty fronts. This is where it all comes out for the people who think of themselves as recreational users or something. This is what they are helping to bring about. This is where it all comes out in the wash. And it is not a very pretty sight.

It is a very hard issue of public policy, Senator, I do not have to tell you. People have made a lot of suggestions about this topic—involuntary commitment, fines, imprisonment of the pregnant addict. All sorts of things have been suggested, some things are being tried in various States. There is not a happy resolution of this issue. We know that in a society which has freedom as one of its hallmarks, if people want to go to hell, take themselves to hell, or self-destruction, it is pretty easy for them to do it. In the case of a woman carrying a baby, it is pretty hard to take somebody else with you too, when it comes to drugs and cocaine.

So I do not have an easy answer to this one except we better think hard about it. We will address this in the strategy. I am interested to see if programs, such as the program they have in Missouri, Parents as Partners program, is something that helps. This is when parents are counseled ahead of time, taught about child rearing and how to prepare for your baby and so on. But there seems to be such a rush for crack, particularly among a lot of pregnant women that, I am not sure we are going to get a handle on this one right away.

DRUG TESTING DRIVERS LICENSE APPLICANTS

Senator COATS. The 1988 act also provided a model test program for States to develop a pilot program that would test first-time driver license applicants. It has not been funded yet, but I would appreciate your opinion of the idea. How important do you think it might be? How should we pursue it? Our Governor has indicated an interest in it after I asked him to consider it, but of course indicates that he would like to see the funding there before they plunge in.

Director BENNETT. As I understand it, the Department of Transportation is to develop and design this program, and although there has not been funding I am told—I am reading—that such funding is requested by the Department of Transportation in their 1990 budget. Then the Secretary of Transportation will be designing the program and picking the States.

I think the more information we have here the better and it is very important to get a good demographic fix on the nature of this problem.

Senator COATS. As you can appreciate, I have to run to vote. I might note that this vote is on an amendment to supply additional funds to the drug efforts, so it is one I do not want to miss. It will be an opportunity for you to grab a glass of water, a coke, a break or whatever. I will try to get back.

Let me just reiterate the fact that I think drug abuse is one of our Nation's most significant problems. I am glad you are there. I look forward to working with you. I hope that the American people are in this for the long haul. I think it is going to take the long haul to deal with this effectively. And there is just a lot of things that are not going to lend themselves to legislative solutions that I hope you can address, and I am sure that you will. So with that I will excuse myself. I hope to get back to hear more of your testimony.

Director BENNETT. Thank you.

[A brief recess was taken.]

CUSTOMS SERVICE SEIZURE AUTHORITY

Senator DECONCINI. Mr. Bennett, we have been here more than an hour. We will try to finish up here and see how many more members come. I did discuss with you a little bit before the meeting the fact that in November of 1988, the Department of Justice released a legal opinion stating that the U.S. Customs Service had no specific authority to undertake drug investigations under section 881 of title 21, except through cross-designation of Customs agents by Justice. The opinion also stated that any assets seized by Customs as a result of these investigations should go to the Department of Justice to offset forfeiture funds. On February 9, 1989, a joint memorandum of understanding was signed by Treasury and Justice on the implementation of that opinion.

Mr. Bennett, I have very serious concerns about the implementation of that legal opinion, and as you know, we have discussed it with State and local law enforcement agencies who cooperate with Customs on drug investigations, as well as the U.S. Border Patrol. The arrangements for the sharing of assets up front have been excellent. Nothing works better with local law enforcement that I know of than when Federal agencies can share some of the assets they seize.

The same cannot be said, however, for the Department of Justice. Justice has been repeatedly criticized about the long length of time it takes to share assets with State and local law enforcement and the ultimate proration of the assets which are actually shared or not shared. Are you familiar with this legal opinion? I know the answer is yes. Are you addressing that at all, as to whether or not the law needs to be changed, in your final strategy? Or do you have any suggestions or directions about cross-designation?

It seems to me, coming out of law enforcement myself, that one of the major concerns that we ought to focus on is cross-designation, putting these agents together so that they do not have to get approval from some director or what have you. But that opinion puzzles me a great deal. I wonder if you could comment on it?

Mr. **WALTERS**. If I may, Senator. There are two issues. One is the cross-deputation which we are looking at in connection with the review of the authorities of the various Federal agencies, and their relationship with local governments. So we are looking at that issue. We do not have an answer for you yet.

The other issue raises the forfeiture process and the sharing of forfeited assets. We are also looking at that because we too have looked and seen that the State and local officials, as well as some Federal agencies have raised questions about the formula and the speed with which that process is moved. In fairness to the Justice Department, they are sensitive to this and are looking at it as well. But in the course of our comprehensive review, we will look at the way that that operates.

Senator **DECONCINI**. Let me say I think you are right in fairness to Justice that they did work out an arrangement, I understand, that permits the sharing of those assets. What really is the bottom line is the assets. How do you get those assets to local law enforcement agencies as soon as possible without a long wait and without another bureau intervening? They might say, wait a minute we want to look at it, sir, and hold it up.

Mr. **WALTERS**. That is right.

Senator **DECONCINI**. That is really my point. I am glad that you are aware of it. I want to touch on a sensitive subject, one I am sure you are just dying to talk about, and that is assault weapons. It is one of the hottest issues in the United States, I can tell you that. As conservative as you are, Dr. Bennett, you have made me look real good because you and the President are banning all these weapons and I am only banning nine of them.

Director **BENNETT**. Glad to be of help.

ASSAULT WEAPONS

Senator **DeConcini**. I am not very popular with the NRA for doing that. Following your confirmation by the Senate, you began looking at many aspects of our Nation's illegal drug problem as required by section 1005 of the Omnibus Anti-Drug Abuse Act of 1988. You have been devoting much of your time to developing that strategy during this period.

An issue of particular interest that has received increasing attention, is the proliferation of the use of assault-type weapons or firearms by drug dealers. You have gone on record in support of a ban on assault weapons. Since President Bush issued a temporary ban on certain imported assault weapons—and I believe he made it permanent just a couple of weeks ago—and since the President has indicated that the ban will be permanent now, can you tell us anything about what this administration is going to do?

Before you answer that question, I am aware that Treasury is involved in a survey of all sportsmen's clubs and gun owners and associations, but I am very disturbed that they did not include law enforcement in trying to make their survey really objective. I wonder if you can give us any update on where you think this country is going from the standpoint of your leadership and that of the administration on assault weapons?

Director **Bennett**. I do not think the issue is settled or disposed of by any means. Obviously the President has the last word on our position and the adminstration's position, he has articulated what they are for the purposes of that piece of legislation. But I think this debate will continue because I think many Americans still believe that there is a way to satisfy concerns of the legitimate gunowner, collector, a hunter with the increasing concern among police that we do something to limit the access to these weapons to criminals, drug dealers, and others.

I think we do make a good step when we say loudly and clearly that people who are convicted of crimes in which they are using guns will be subject to mandatory sentences. That is very important. We have to be sure that we back that up by actually providing the resources to see that these people go away. And I think the more we do that, the better. But the issue remains, and I know that you and your colleagues are debating it and discussing it, that the problem is still there.

Senator **DeConcini**. When the survey is back, assuming there is some indication that a ban of certain assault weapons may be justified, and there may be an assumption that it does not come about, do you think that your office will be prepared to wait in a more meaningful way? I do not say that in a demeaning way at all. I think what you have done so far is very courageous, on domestic as well as foreign assault weapons.

Director **Bennett**. I do not know, Senator. It is a little bit like the question, if I might, Senator Kerrey asked about alcohol. These things overlap. They have some connection, but they are not central. I do not have to tell you that there are plenty of issues involved with illegal drugs, more than enough to fill a strategy volume.

Whether we will address that issue again or other issues, I do not know. I think to the degree that law enforcement continues to press on this issue and make it a very high priority, it obviously has to be a matter that we all need to be concerned with because if it is important to them then it has got to be important to us. I could not really say.

Senator DeConcini. Will your strategy address it at all?

Director Bennett. I do not know. I would like to see where we are at that point. Maybe the Senate will have resolved it.

INTERNATIONAL NARCOTICS CONTROL

Senator DeConcini. Mr. Bennett, let me turn to international narcotics, and to the DEA under the leadership of Mr. Lawn. By the way, I think he is an outstanding law enforcement officer, and is really doing as good as job as he can. I think he needs more resources, in this Senator's opinion. He met with a number of us not too long ago, March 14, as a matter of fact. The meeting was attended by Senators Wilson and Helms and Senator D'Amato and myself. We talked about Operation Snowcap, if you are familiar with that. I felt then, and I still do today, that DEA personnel and assets could be better utilized in the United States rather than in Peru, Colombia, or Bolivia.

Jack Lawn expressed the same safety concerns that my colleagues and I raised when we talked to him. In fact, Mr. Lawn said that DEA had decided to pull its agents out of Peru because of the danger and would keep them out until a safe base camp could be constructed. The problem is not Jack Lawn at all. He is simply trying to wage the battle against narcotic traffickers. The problem is that Jack Lawn or Willie von Raab for that matter, or Bill Sessions or anybody else has never been presented with a comprehensive international narcotics strategy.

My two questions to you are: No. 1, will that be included in your strategy plan when it comes out? And No. 2, under the present law where the President is to certify or not certify certain countries as to whether or not they are fully cooperating, and it appears to this Senator that there is generally rubberstamping of such certification based on the history of Mexico last year and maybe even this year. Will your strategy address dealing with countries that continue to facilitate the illegal drug traffic?

Director Bennett. The answer to the first question is, yes, it will be included in considerations of Operation Snowcap and related issues will be part of our strategy. These are matters we are talking about right now already in addressing them at the various media sessions.

Second, on the question of certification, yes, we will address that question too in our strategy. It is in many ways, an unsatisfactory process and I think many people believe that. It is often a choice between giving what appears to be a rubberstamp. It is often a choice between, what philosophers call insufficient options, insufficient alternatives. On the one hand, if you say yes, you get the aid. By doing that you say the country is making great efforts to eliminate drug traffic, and often they are not making great efforts. They are making minimal efforts or modest efforts.

But the alternative, which is to be decertified, may make the situation even worse. In this way, I think, the process is unsatisfactory. No one likes the rubberstamp, while we have to hold our nose while we lick the stamp. But that is the tool we have been given, and I think we ought to try to improve the tool and we may have recommendations on that.

Senator **DeConcini**. Mr. Bennett, when you get to that part of your strategy, there may be another better way to approach it than what the law is now. But it concerns me that we have the option of imposing sanctions, even though they have not yet been imposed. It seems to me we lose the power to influence. I have talked to the Bahamians at great length. They are quite concerned, and rightly so, that if the Bahamas were not certified, they would lose their tourist business, which would be just devastating to them.

Director **Bennett**. You are absolutely right.

Senator **DeConcini**. For example, with Mexico, last year the Senate decertified them. The House did not address the issue, so it did not go into effect, but I would like to think that maybe it had a little impact on their improvement this year. So I hope that in your strategy you do not rule out some tough sanctions that could be imposed if certain criteria are not met. Maybe the threshold needs to be higher than it is today. It seems to me to be very important.

Former Senator Hawkins of Florida was the brain behind that effort, and at the time it was opposed by the administration, mainly the Department of State. You might remember, it was a big debate here. But it passed overwhelmingly because of the frustration of some of our friends not really addressing the problem.

Director **Bennett**. I agree with that. I have heard it cited. In fact, the example of the Bahamas is cited often in this connection, and I am sure it is true. I am sure that the threat of decertification has made some people do good work who otherwise might not have.

Senator **DeConcini**. I yield to the Senator from Maryland.

D.C. INITIATIVE

Senator **Mikulski**. Thank you. Mr. Bennett, I would like to turn now to the more local and specific area of the District of Columbia, Maryland, and northern Virginia. In our conversations with you, you first said that you really wanted to make the District of Columbia as drug free as possible. Let me again emphasize that it is absolutely essential that you undertake a regional approach, and not merely a "D.C. only" approach.

I wonder if you could share with me what is the regional approach that you have been developing? What are the specific areas of activity, and what is the involvement of local people—Governors, local officials, and so on?

Director **Bennett**. I have asked my chief of staff and acting double deputy to prepare a brief account of this for you.

Senator **Mikulski**. Double deputy?

Director **Bennett**. Yes; everybody is doing double or triple duty.

Mr. **Walters**. Let me just summarize quickly where the Federal initiative in the District of Columbia stands at this point. The law enforcement task force that was proposed is about to open offices on the 5th of this month. It will now consist of a joint effort by both Federal, State, and local agencies, including DEA, Virginia State Police, the U.S. Park Service Police, the IRS, Metropolitan Police in District of Columbia, Alexandria City Police, Loudoun County Sheriffs, Montgomery County PD, Takoma Park Police, Arlington Police Department, Prince William Police Department, Falls Church, Frederick County Sheriffs, Prince George's County, U.S. Marshals Service, Fairfax County, U.S. Customs Service, Maryland Park Police, Maryland State Police, Defense Intelligence Agency, City of Fairfax Police, U.S. Immigration Service, ATF, FBI, General Services Administration Police, and the Federal Protective Service.

There will be a total of 119 staff at this point dedicated to the task force. As you know from our earlier discussion, it will include an intelligence center designed to help target more effectively drug trafficking in the region.

Senator **Mikulski**. Who will be the lead agency?

Mr. **Walters**. The lead agency is DEA. In addition to that, the Federal Bureau of Investigation is conducting a separate program with the District of Columbia regarding the examination of firearms and forensic tests connected to firearms. That has begun now and the FBI is providing assistance to the Metropolitan Police in doing ballistic tests for our current cases and they are putting on staff to eliminate the 400-test backlog that has accumulated over the last couple of months.

In addition, they are providing a separate 10-man team for fugitive cases and some additional help for investigation of murders in the District of Columbia, although there will be some relationship to surrounding jurisdictions as well. In addition, the U.S. attorney in the District of Columbia will be getting assistance from 10 Department of Defense lawyers. The U.S. attorney's office in the District of Columbia has set up a 13-man narcotics trial unit and 12 judges will be connected with that unit for scheduling of cases. It will involve trial of long-term investigations, asset forfeitures and homicide cases, in particular.

Arrangements have been made to provide the transfer of appropriate cases to D.C. Superior Court and to Federal Court in order to help speed prosecutions.

Senator **Mikulski**. Could we stop a second. I know you are slipping through the plan. You said that there are going to be 10 DOD lawyers?

Mr. **Walters**. They will be assigned to the U.S. attorney's office.

Senator **Mikulski**. But what happens to the judges and the backlog there?

Mr. **Walters**. What has happened in terms of judges at this point, is there have been two things done. One is a reassignment of some judges on a temporary basis has been agreed to from civil to criminal court. In addition, we have put in place or developed near final stages a procedure to move some of these cases from the superior court to U.S. District Court in order to help address the backlog.

Senator **Mikulski**. I have another question about the issue of intelligence, which of course is very important in the original approach. Did you say that you are going to have kind of a coordinated intelligence?

Mr. **Walters**. In connection with the task force will be a new intelligence unit or it is building upon the existing intelligence unit the DEA has been developing. But it will provide regionwide intelligence on narcotics trafficking and allow the task force enforcement efforts to be targeted on points in the trafficking network where we hope we can do the most damage.

Senator **Mikulski**. The Secretary of Corrections in a conversation with the State of Maryland indicated that what was really important was intelligence that would be both strategic and then tactical. Not only would our immediate region be involved, but because of the flow of drugs into our area particularly from the upper and Northeast corridor, there would be a need for a mid-Atlantic network link.

Mr. **Walters**. Yes; but DEA is working to expand the connection between its offices across the Eastern part of the United States and where necessary other parts of the United States to feed in nationwide intelligence to this particular unit. Obviously, one of the advantages we get by bringing in a number of police enforcement agencies from the surrounding area is the advantage of tactical, as well as what is for them strategic intelligence in their area into the intelligence network created by the task force.

If I can just mention two more things, so that I can give you the full scope of the plan. The Department of Housing and Urban Development will in the next couple weeks conduct the first part of its effort to take and renovate and restore and secure housing projects in the District of Columbia. At this point, I would like to be general about that in open session because there are some enforcement aspects of this that I think you will understand and we would like not to announce at this point.

Senator **Mikulski**. I chair the subcommittee on HUD and we just put in some money and we are going over some of those issues.

Mr. **Walters**. Also the parts that have to do with the Department of Education and D.C. area, the Department of Labor and Health and Human Services involving treatment resources are also now close to conclusion. There will be a series of things coming on line, both in terms of assistance and in terms of personnel expertise. Some additional financial resources through online programs and some discretionary programs connected here.

The one thing I did not mention is the site of the detention center called for in the plan. This would be a pretrial detention center. That is in the final phases of discussion between the Marshals Service, Bureau of Prisons, the Defense Department, and GSA. The site selection is being managed and led by the Bureau of Prisons. They have had a bidding conference on the center, and they expect to have this in a position so that they can announce details in about 30 to 60 days. So that is where we stand at this point. I will be happy to provide any other details on specifics.

Senator **Mikulski**. Obviously, you have tried to put together a very comprehensive plan of both enforcement and prosecution. What had emerged in one of our hearings in the D.C. hearing is that of the 47,000 people who were picked up in Operation Clean Sweep less than one-half of them had even seen the inside of the court room and of that group, even a smaller number have gone through the process.

The District of Columbia is very severely criticized for its processing system, its organizational structure, its infrastructure and so on. But once apprehended, nobody moved anywhere. It made a mockery of the law enforcement men and women who went out and risked their lives to grab a drug thug, only then to have him out cleaning his nails and laughing at them the next night. I know we have got the new lawyers and so on, but where are we in terms of a process involving apprehension and speedy disposition?

Mr. **WALTERS**. There has already been agreement by the Bureau of Prisons to absorb 250 sentence prisoners from D.C. facilities to allow pretrial detention in connection with this effort and provide an additional 500 beds within the Federal prison system for sentenced prisoners in connection with this proposal. In addition, there will be as you know additional construction through the Bureau of Prisons that will allow prison space for sentenced prisoners within the next approximately 24 months through the building program that they have underway. We had a discussion about the site of that prison previously, and then again it is not one specific prison that is going to take these prisoners but the prison system that the Bureau of Prisons operates.

Senator **MIKULSKI**. There is not a particular prison designated in the Baltimore-Washington corridor.

Director **BENNETT**. I was trying to jump in before you got into that. Remember, Senator, if I may that the philosophy behind this when you mentioned Clean Sweep, the point of our regional initiative was not to fix things so that the D.C. Police could launch another clean sweep and we would provide more capacity for it, but rather to be more selective. For a couple of reasons. We did not want to squash the tomato again to use your figure and send it all out to Prince George's County and Virginia.

But second, with a better targeted law enforcement approach and use of intelligence to try to nab some of the intermediate to large size fish here, who we think, are largely responsible for a lot of our problems and to save some of these spaces for them. Now one does not want to jinx it, but by the grace of God, good luck, the work of a lot of people, and the work of a lot of people in the local community at the moment, one wants to be very careful, things are better than they were. We are also entering the summer and who knows what can happen.

But I think at this point we have high hopes for the regional effort and I think can say we are moving in the right direction. We are nowhere near, and the District of Columbia is nowhere near being able to handle the kind of capacity that you talked about in your comment in regard to Clean Sweep. This is a different kind of approach.

Senator **MIKULSKI**. It showed one of the problems with Clean Sweep. If the chairman can just bear with me. Now that you have involved all the regional and local police forces and so on, from what I understand, you intend to target what I call the wholesale distributors or kingpins or you have your own strategy. I am not going to ask you that here. But the question would be and I think it is when we do it in the District of Columbia what is intrinsic in your plan that does not exacerbate sending it into local counties, be they in Maryland or Virginia?

Director **Bennett**. Because the pressure points are not—even though we are calling it the D.C. initiative as opposed to the D.C. regional initiative—necessarily all in the District of Columbia. Now I am back to your tomato one more time, that is, you are not just pushing down on the District of Columbia, so it is going to squash you out elsewhere. You look at it from a coordinated law enforcement perspective and because we are talking about criminal networks, we are talking about putting pressure in various points in the region.

Senator **Mikulski**. Mr. Chairman, you have been very indulgent in that time. We look forward to that announcement on June 5 as does everyone including DEA, and I would like to work with you to be kept informed on how we can ensure the resources are there for their success. Thank you.

SOUTHWEST BORDER-HIGH INTENSITY DRUG TRAFFICKING AREAS

Senator **DeConcini**. I think, Mr. Bennett, the Senator from New Mexico is coming back. I will ask you one last question from my side and then I will yield to him and maybe we will let you go. We recently sent you, eight Senators in the Southwest border, a proposal requesting that you designate the Southwest border to be the Nation's first high-intensity drug traffic area. I guess it would be the second now. The letter documented how the Southwest border has become the center of illegal drug production, manufacture, importation, and distribution in the United States.

Designating the Southwest border as a high-intensity drug area would make available additional resources for Federal, State, and local agencies. I believe this would have a positive impact on the entire country. I received your reply, and you basically state your understanding of the problem, but also that you are not willing to designate any areas until you submit your national strategy in September. Well, I disagree with your decision, but I have the highest respect for you and obviously, we will wait until September.

I would like to know your opinion, however, on what areas of the United States you feel are the major trouble spots in the country and what role you believe your office should play in providing support for these troubled geographic areas?

Director **Bennett**. That is a very good question. One with kind of an irony, but with gallows irony. One would not want to offend any particular area of the United States by saying it is not a major drug problem area. But I have to tell you, Senator, as I go around the country and visit places, how often I am greeted with, welcome to the drug capital of the United States. It is perceived to be that serious in many parts of the country, and then I figure a few weeks go by and I have not gotten a phone call from a Senator representing a certain part of the geographical United States, and I say things must be OK up there, and then I get a call from your colleague from Montana, and the next day from Oregon saying you have got to come to the major distribution point for drugs in the Northwest, and there are rival interpretations here.

Unfortunately, there are all too many candidates for high-intensity drug trafficking areas. Of course, your State, the Southwest area is very serious, probably more serious, interestingly, due to some degree of success at the Florida side with our effort there. I am told that it has moved some of the traffic your way which is interesting. It is obviously not good for the Southwest area, but it suggests that if you apply pressure it can sometimes make a difference.

We want to approach this thing right, this high intensity thing. We want to come through on it. We will come through on it. And I want it to be part of the strategy. It is not a stall. Well, that too will be with the strategy. The point is to designate areas and to put resources in those areas as a function of the strategy. To think of it in terms of choke points, where if we designate two or three or five areas simultaneously and coordinate our effort in those four or five areas, we might be able to have some optimal effect.

Senator DECONCINI. Thank you, Mr. Bennett. The Senator from New Mexico.

USER ACCOUNTABILITY

Senator DOMENICI. I thank you, Mr. Chairman. Mr. Bennett, we have kept you here a lot longer than you had planned and for that we apologize, at least I do. But I think it has been helpful, and I hope it has been helpful to you. I want to concentrate on just three areas rather quickly. While I understand that your response to the question of what would you prioritize, you said we have to go after everything. This problem is too difficult and pervasive.

Nonetheless, I want to concentrate for a minute with you, Mr. Bennett, on user accountability. That is a neat sounding word that has come about in the last 8, 9, or 10 months because some people have done some studying about this. Some polls have been taken and if polls mean anything, as I understand it, there is one thing that the user—and I am not speaking of the person that is already hooked, but the casual average American who might get on drugs—is most frightened of is being caught.

Director BENNETT. Yes, sir.

Senator DOMENICI. And being exposed. Now that is not 100 percent, but from the evidence I have, if you were to pull out one that was meaningful to people, it is that one. It seems to me if that is true, that this gives you a rather good hook to say, let us get started on this one. At least there is some evidence it might work in more than a minor way. If that is the case, Mr. Bennett, I hope you will not consider that the entourage of available approaches to this in the past are all that we have.

You are aware that we passed as part of the omnibus drug bill a user accountability section that has an administrative process for fining the casual user up to $10,000 without a criminal trial. They can have their criminal trial if they want to appeal and that is due process. So we are not denying them any constitutional rights.

Mr. Bennett, if that poll that I just described has any sense to it, then I urge that you with the Justice Department set this in motion. I think we would be glad to fund it in the United States Congress. It cuts the criminal time, the resources that we have to put into that processing immensely and it takes people from the street before a judge in open tribunal with a record, and they are found guilty and they are fined and everybody knows that it happened. And you can even, from what I understand, effect the forfeiture provision.

So if you have a wealthy American who thinks it is neat to do this casually in their condominium, you have a lot of rights. You might even be able to seize the condominium and then put them in the newspaper for getting fined $10,000. And I think if we had a few thousand of those occur that might be a very healthy beginning point.

My second observation has to do with young people who are of school age, who are on drugs and beginning that difficult process of wanting to stay off drugs. And they are of school age and right now we do two things. We put them off in some facility and allegedly cure them, and then if that works halfway right, we urge they go back in the school system. I understand that does not work very well. I understand the recidivism is enormously high. Under that scenario, you put them right back in a typical school system and because of what you have described earlier, tremendous temptations, availability, free time, they revert to drug use.

I urge that you seriously explore the utilization of some pilot programs where the school system sets up a drug-free school for that kind of student within the school system, so we do not reinvent the wheel, and that is where those kind of kids can go and get their education and whatever else it is by way of positive peer and discipline pressure. On that one, I understand you have a view on it. The second one, and that you think it might work, but you say it would have to be a little more onerous than the typical school in some respects. Could you just tell us about that for a minute?

Director **Bennett**. Yes. I think as we were talking about it yesterday, Senator, if you set up in the Albuquerque school system, a school called the drug-free school, even though you say it is restricted to perhaps the students who had experimented with drugs or who were on drugs, you are going to find an awful lot of parents who are going to want their kids in that school anyway, if you can assure them that it is drug free.

Because of the assurance of a drug-free environment, I think, people will likely go to some lengths to get their children there. I think it is worthwhile to explore because we need alternative schools, reform schools, drug reform schools, whatever you want to call them, for kids on drugs, so that you have some place to send kids who are bounced out of your regular schools for drug infractions. That is one.

But of course the second point is background on this whole thing, I think, is that there are certain institutions that need to do their job, the family, the church, the school. I am talking about the reconstitution of the American families. It is something that will take a long time, but we can address this problem in the schools. The schools are not stepping out yet well enough. Many are, but every school in this country can become drug free or just about every school can.

I went to a school in Miami in cocaine alley, and they are drug free. And the police say they are drug free and the kids say they are drug free. This is an institution that can fix itself now if it wants to. We wrote the book, "Schools Without Drugs." They can read it and do it. They can have this kind of alternative school, schools are fixing themselves. To look at this, I think, is a very worthwhile idea and I commend you for it. We will look at it.

DOD INVOLVEMENT

Senator DOMENICI. My last observation, Mr. Bennett, we will individually tell Secretary Cheney about what has been going on up here for the last 48 hours, on the floor right now, of yesterday in appropriations, but I hope you in your drug czar decision will tell him that Congress is very concerned about No. 1, making sure that the military of the United States is involved in this war. We would not have put the money in and said they are supposed to be.

No. 2, I hope between you, you come up with a plan for their use of the $300 million that is more realistic than the piece of paper they sent up here. I can tell you we almost took the money away and put it in the domestic programs. But for people like you who have admonished us; give them a chance because we do not want to give them an excuse which essentially is your theme, as you expressed it to me yesterday. Do not take the money away, or it gives them an excuse. We left it there. We have won three times. We beat our distinguished chairman on that theme in appropriations yesterday.

Senator DECONCINI. Badly.

Senator DOMENICI. Badly, yes. So he did not even try it on the floor today. But in any event, that is not going to work if they propose a duplicative system, which the fusion system that has to do with integrated information may be. They have got some capabilities that are manpower and physical resources that they ought to be thinking of, and maybe they need to use them in unison with you.

But I will tell you, somebody is going to direct the Defense Department to use $70 or $80 million like Senator Specter was talking about for incarceration type facilities. And they might as well think about it because then at least they can get it done their way. I just urge that on you because I see it coming and I think they can be constructive and you are right, if this is a war, you cannot have the military of the United States not involved in some way.

Director BENNETT. In fairness, I think, they are thinking hard about this. There is institutional inertia, Senator, and I remember there was a lot of it when I got to the Department of Education. We tried to do something there and I am sure Secretary Cheney is seeing some of it predictably.

The Department of Defense does not have anything to fear from me or from us. We are not going to ask them to do anything stupid or reckless, but this is a war and it does seem appropriate to ask them to take cognizance of that fact and see that they are in place in the war on drugs. Dick Cheney, I think, is one of the splendid public servants in this town, and with his help and the help of others, I think, we are going to get this moving well.

I have a lot of high hopes for the involvement of the military here and in the interdiction effort, in the intelligence and detection. These folks understand command. This is what we need in a lot of these situations is a good clear command structure. They know a lot. They have got a lot of resources. The American people think a great deal of the U.S. military establishment, as do I. And I think there is more they can do.

OFFICE LOCATION AND SECURITY

Senator DeConcini. Mr. Bennett, I have one other area I want to discuss with you and maybe Mr. Carnes is the one to answer these questions. I am concerned about your physical well-being and the office space at your 1825 Connecticut Avenue location.

Director Bennett. I quit smoking and I put on a little weight, if that is what you are talking about.

Senator DeConcini. No; I am more concerned about the security of your operations. I am sure you are addressing that, but I am wondering if you can tell us, do you feel your space there is adequate, No. 1? No. 2, is it safe? No. 3, with the various tenants that are also in that office building, that are in a sense perhaps vulnerable to the same mission or incompatible rather, with the same mission that you have, what are you doing about it? Has the Executive Office of the President been involved? And do you need any help?

I am not trying to be your mentor by any means, but I think your physical safety and that of your staff, as well as the security of your documents is of the utmost importance. I understand that you do not spend all of your time there because you have an office up in the Executive Offices. I wonder if you can just give us quickly or Mr. Carnes, some idea of how you see this problem and where it is going? Are you going to have to move, or what is going to happen?

Director Bennett. I think I will ask, on the security thing, I will ask Mr. Carnes to talk about it. I guess on the surroundings too. I am not what you call a furniture type person. Interior decorator would be the last thing I would be.

Senator DeConcini. I am not talking about furniture, Mr. Bennett, I am talking about safety and security and space for your people, your flow of operations, and the security of your documents.

Director Bennett. Either John or Bruce will have to talk about that.

Mr. Carnes. Mr. Chairman, we are looking for an alternative space which we would hope to occupy during fiscal 1990. That is one of the reasons we are asking for a certain amount of latitude in the $12 million that would be appropriated to ONDCP. We have worked with GSA and the Office of Administration in the White House to identify alternative sources for alternative sites for us to relocate to. We are in the process of finalizing an alternative site right now. We will in the meantime undertake certain measures to enhance the security at our present facility, but we will be looking to move.

Senator DeConcini. Do you have anything to add?

Mr. Walters. No.

Senator DeConcini. Are your facilities now safe as far as you are concerned with the material documents that you have there?

Mr. **Walters**. What we have done is make sure that the facilities themselves do not contain documents that cannot be secured under the present environment. We will have to make some additional renovations to the facility. We held off because we were looking to see if in the short term there was another space available. Unfortunately or fortunately, GSA does not hold large tracts of office space of the kind that we would need vacated. So we are going to have to go through an interim process of securing the facility we are now in while we look for a different site.

Senator **DeConcini**. So you are looking at well into the next year before you might find a permanent place, if you want to call it that?

Mr. **Walters**. Yes; but both a variety of law enforcement agencies and the National Security Agency are helping us with the design of renovations that will allow us to operate on a temporary basis here in the 1825 Connecticut Avenue site. We do need to move. That does not change that, but we will be able to operate, we believe, with the necessary security.

CLOSING REMARKS

Senator **DeConcini**. Thank you. Mr. Bennett, thank you for staying a bit longer than what you had anticipated. I think that, as you can tell, the interest of this committee is, No. 1, to assist you. Also, as you can tell, the exasperation and the high anxiety among Members of the Senate and particularly of this committee is due to our desire to move swiftly and expeditiously in this area, as well as in a concerted manner. I think that is what you are planning to do, and be assured that any reference or suggestion here at this stage, at least from this Senator, is not intended as criticism at all.

If criticism comes, it will come once the plan is in and has not worked, and I hope that that day never comes. I think you have got a monumental task ahead of you, and this subcommittee is prepared to assist you in any way that we can, whether it is with security or office space that you might need, or additional changes in law or whatever it may be. We thank you for your time and that of your staff.

Director **Bennett**. I appreciate the courtesy and the professionalism of the committee. Thank you very much.

ADDITIONAL COMMITTEE QUESTIONS

Senator **DeConcini**. We do have questions from Senator Domenici and Senator Byrd. I will be submitting some further questions myself and as to other members, we will hold the record open for 7 days to submit questions for Director Bennett to answer. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

Question 1

Your justification states that you are proposing Bill language for fiscal year 1990 to allow you to use your $12 million budget request as you see fit to pay for staff salaries and research activities. This is a departure from President Bush's request, which included $7 million for salaries and expenses and $5 million for research. Has this language been discussed with OMB and if so, can the committee expect to receive a budget amendment from the Administration requesting this change?

Can we expect to receive it prior to a mark-up on the FY 90 Bill?

Answer

This proposed bill language has been discussed and cleared by OMB. The revised budget amendment was transmitted to Congress on July 25, 1989.

Question 2

Your justification further states that your proposed FY 90 FTE level will be 64, but that this number may change based on further analysis. What FTE ceiling do you think you will need in fiscal year 1990, and can you tell us why 64 will not be sufficient?

How many FTE's do you currently have on board? Can you provide the Committee with a listing of FTE's by program division? Can you also tell us how many detailees are presently assigned to the office and tell us whether they are reimbursable or nonreimbursable, how long they have been on detail to your office, and how long you expect to keep them on detail, and provide a listing of detailees by program division?

Answer

The ONDCP's authorized FTE ceiling has been increased to 96. We believe that this number may be sufficient for FY 90. This level of staffing will be required because of our broad mission of oversight and coordination across some 45 Federal drug control agencies. We currently have 62 permanent positions filled and an additional 32 detailees on board. Supply Reduction currently has 12 detailees assigned and the remaining 20 detailees are assigned elsewhere throughout the office. Demand Reduction and State and Local Affairs are not staffed with detailees at this time. However, we are forecasting the assignment of detailees in Demand Reduction and State and Local Affairs in the near future. Four of the 32 detailees are on re-imburseable details and the remaining 28 are non-reimbursable. The ONDCP policy has been to request one-year details with the option of extending them. The first detailees started working for ONDCP in January.

Question 3

Your justification indicates that the staffing requirements for the Office of National Drug Control Policy may change depending on your ability to use detailees. What are your current plans in FY 90 to use detailees from other agencies -- how many do you expect to use, for what period of time, and for what purpose? Will they be detailed on a reimbursable or non-reimbursable basis?

Answer

We currently have 32 interagency detailees and expect this number to increase to 50 in FY 90. The ONDCP policy has been to request one-year details with the option of extending. It is anticipated that detailees will continue to be used on a non-reimburseable basis, as is currently allowed under OPM guidance (FPM 300-31).

Question 4

In reviewing your proposed allocation of FTE's for FY 90 your justification states that 6 FTE's will be assigned to the Director and 6 FTE's will be assigned to the Chief of Staff. Can you tell us what specific positions are required under each of these two offices and what duties will be performed in each position?

Answer

The six FTE assigned to the Director's office include: the Director, a Special Assistant to the Director, a Confidential Assistant to the Director, a Secretary for the Director's OEOB office, a Secretary to the Special Assistant and White House Fellow, and a Receptionist.

The seven positions assigned to the Chief of Staff include: the Chief of Staff, Deputy Chief of Staff, two Special Assistants and three secretaries.

Question 5

I'm interested in your proposed staffing levels for the Deputy Director for Supply, Deputy Director for Demand and Associate Director for State and Local Affairs. How were these staffing allocations arrived at? Can you explain why the proposed Supply staffing level will be one-half of the staffing level for Demand (3 for Supply versus 6 for Demand)? Please explain why there will be only 14 staff assigned to the three deputy director offices.

Answer

The recent increase of the ONDCP ceiling to 96 FTE has enabled us to increase the FTEs for the three deputies. The Deputy Director for Supply Reduction now has eleven FTE. If we augment this with 17 detailees, we would have an increase to 28 positions for Supply Reduction. The FTE for the Deputy Director for Demand Reduction has increased to twelve. By augmenting his staff with four detailees we would have an increase to 16 positions for Demand Reduction. The Associate Director for State and Local Affairs currently has 13 FTE. Augmenting the staff with six detailees would increase State and Local Affairs to 19 positions.

The total number of staff available to the Deputies will vary with the final structure of each office as determined by the Deputies and with the number of staff available on detail.

Question 6

With the turf battles at the Federal level on the Law Enforcement and Interdiction side, it seems to me that more than 3 FTE's will be needed for the Deputy Director's office for Supply. Particularly as you attempt to formulate the National Drug Strategy. Can you describe the three positions you contemplate in the Supply area and tell us how you arrived at the decision to allocate three FTEs? Can you also tell us if you have any plans to increase this FTE level or will this decision be left to the Deputy Director once he or she is confirmed?

Answer

The FTE level for ONDCP has increased to 96. Eleven positions have been identified for the Deputy Director for Supply. We expect these FTE to be augmented by detailees from other Federal agencies. The final structure of this office will be determined by the Deputy Director for Supply Reduction once he is confirmed.

Question 7

I see you propose 5 FTEs for "Issues and Analysis" and 6 FTEs for "Budget Development and Legislation". Can you explain why the these activities aren't assigned to the authority of each Deputy Director and how you plan to coordinate these activities to insure they are consistent with the recommendations of each Deputy Director?

Answer

The activities of Planning (Issues Analysis) and Budget Development and Legislative Review are not assigned to the two Deputy Directors and one Associate Director in order to provide for the Director a staff ability to review all drug-related policy and budget issues. There will be ongoing consultation and coordination between these offices and the Deputy Directors as well as between these offices and the Director and Chief of Staff. These offices will also provide support to the Deputy Directors and Associate Director.

Question 8

You propose a substantial increase in your "printing and production" object class from FY 89 to FY 90. Can you give a detailed explanation why this $495,000 increase is necessary? How are the costs for these activities being met in FY 90?

Answer

The fiscal year 1990 request of $500,000 for printing is our best estimate of the approximate level of funding required to cover all ONDCP printing costs. This increase is necessary to cover the costs of printing the National Drug Control Strategy and other mandated reports and studies as well as reports to State and local officials and the general public. These costs are being met in FY 89 from savings generated as a result of the part year operations of the Office of National Drug Control Policy. In FY 89, the first printing of the National Drug Control Strategy is expected to cost a minimum of $100,000.

Question 9

Your budget for "other services" will increase $5.336 million in FY 90. This amount reflects an increase of $5.207 million over the FY 89 enacted level of $129,000. Can you provide the Committee with a detailed explanation of how you plan to allocate these funds in FY 90? Will all research be conducted by consultants? If not, what research will be done in-house? What types of conferences do you contemplate in FY 90?

Answer

Under our proposed FY 90 budget, the increase in "Other Services" was to be allocated at approximately $5,000,000 for research and $336,000 for operational services. We are now developing a detailed plan for research services so we are unable to provide details about how the research will be conducted. We currently estimate that as much as $2 million will be available for contract research should this level be required by the research plan.

Question 10

It seems to me that the proposed research will have to be coordinated with other Federal agencies of jurisdiction. What steps do you plan to take to ensure there is no duplication of research by other Federal agencies?

Answer

We are aware of drug-related research being done by other agencies, and, in fact, we receive information from OMB--and from the agencies themselves--on the agencies' research proposals.

The problem with gathering drug-related data at the Federal level is not so much duplication of effort, as it is lack of information. We are coordinating with Federal agencies, and, where it is feasible, we will piggy-back our information needs onto their research activities.

Question 11.

Your statement indicates the you are proposing an authorization change to allow the Office of National Drug Control Policy to obtain the estimated $136 million from the Department of Justice Assets Forfeiture Fund earlier in Fiscal Year 1990 instead of at the end of the fiscal year. First, can you tell us why this change is necessary and if the committee will receive a formal budget amendment from the Administration?

Secondly, can you tell us if you have discussed this change with the Department of Justice and if so, what was its evaluation on the impact this change will have on the Assets Forfeiture Fund?

Answer

We want to be able to get the $ out to the field faster. The Department of Justice is confident that it can begin the transfer of "surplus" funds to ONDCP before the end of the fiscal year without any negative impact on its existing program, such as assistance to State and local law enforcement agencies, thus allowing us to address critical funding problems earlier than we could under current authority. The Justice Department and OMB agree with our proposal and a formal amendment will be forthcoming.

Question 12.

Your justification states that you intend to use $115 million from this Fund for "Law Enforcement Activities" and $21 million for the establishment of high intensity drug trafficking areas. Your justification further states that you cannot provide any specific information on how the funds will be used until you develop your national strategy report. If this is so, how did you arrive at the decision to allocate $115 million to law enforcement and $21 million for high intensity areas? What information is presently available to suggest this is a reasonable expectation for the use of these funds in FY 90?

Answer

Our budget justification materials were delivered to the Committee before the President's crime package was announced, although we anticipated even at that time that the funds would be proposed for prison construction and high intensity drug trafficking areas. We believe that these two areas are appropriate uses for the Special Forfeiture Funds because of the potentially-dangerous overcrowding situation which exists in our Federal prisons and because of the statutory requirement that we identify high intensity areas in our Strategies. These areas will need additional resources to effectively combat the drug problems facing them.

Question 13.

In reviewing President Bush's crime package for FY 90, it appears that he plans to use your assumed $115 million from the fund to pay for the construction of prisons. This is a very worthy use of Federal funds, however, it seems to me that the President's decision to allocate those funds to prisons is inconsistent with the intent of the Anti-drug Abuse Act of 1988. These funds were to be set aside for use by the Drug Czar in areas where he felt the funds were needed based on his national drug control strategy. The drug strategy will not be out until September 3. How do you reconcile your request for use of these funds early in Fiscal Year 1990 when you haven't yet formulated a national drug strategy?

Answer

We strongly endorse the decision to use $115 million of the funds available in the Special Forfeiture Fund for Federal prison construction. Although the Strategy isn't finished yet, we know it will include, as a priority, the need to reduce prison overcrowding. We see no inconsistency in requesting that some of the Forfeiture Funds be used for this purpose prior to the formal issuance of the Strategy. Particularly since so much of the prison occupancy and overcrowding is due to drug-related crimes.

Question 14.

Was the President's decision to use the Special Forfeiture Fund for prisons and high intensity drug trafficking areas consistent with your recommendations?

Answer

Yes.

Question 15.

What about other shortfalls in the Customs Budget, the U.S. Border Patrol, the FBI, DEA, and all of the demand programs? Were they given any consideration in the decision to recommend $115 million for prisons from the Forfeiture Fund, or do you feel that those budgets are sufficient in FY 90?

Answer

I support the levels requested by the Administration for these agencies. I believe the gravity of the overcrowding situation in the Federal prison system compels us to address that need and I have therefore, requested that $115 million of the Special Forfeiture Funds be used for that purpose.

Question 16.

As you know, Section 6073 of the Anti-Drug Abuse Act of 1988 established the Special Forfeiture Fund, but required receipts in the Department of Justice Assets Forfeiture Fund to be transferred to the Special Forfeiture Fund on September 30, 1990. The disbursement of the proceeds in the fund are subject to appropriation and require specific detailed justification on how the funds would be used. The provision was written in this manner to give the Drug Czar time to formulate a national drug control strategy and then determine where Federal funding needed to be supplemented with the Special Forfeiture Fund proceeds. Without a national drug strategy and with no outlays being requested for the amounts transferred to the Special Forfeiture Fund in FY 90, how do you expect the committee to go along with the change you propose?

Your justification explains that if your projections for FY 1990 are inaccurate on using a portion of the Fund for law enforcement and high intensity drug trafficking areas, you will request a reprogramming. This is a substantial amount of money to be requesting blanket authority from the committee without any specifics on how it will be used. Is there a compelling case which you can make to persuade the committee to go along with this change? If so, please explain the compelling arguments.

Answer

The time-lines of "what follows what" are, in this first year of operations, slightly out of kilter. Things will be much cleaner next fiscal year, as our Strategy and budget will follow a logical progression. In fiscal year 1990, we have had to propose how we would use the

Special Forfeiture Funds before we have completed work on our Strategy because Congressional action on fiscal year 1990 appropriations will be nearly completed before the first Strategy is issued.

The transfer from the Justice forfeiture fund to our Special Forfeiture Fund will occur in FY 1990 and should therefore, be appropriated in FY 1990. Under current law, this transfer will occur at the very end of the fiscal year, resulting in no outlays in FY 1990. We have given the Committee our best estimate at this time of how we would use the funds, if appropriated, and we have been candid by saying that if we discern different needs later on we will come back to the Committee with a reprogramming request.

Question 17.

Operation Snowcap, which was launched in Latin America over one year ago by the DEA, has had very limited success in disrupting the narcotics traffickers production network. As you are aware, the operation involves transferring DEA agents from the U.S. to Latin America for three month intervals. Before these agents are transferred they go through extensive military training. I'm concerned that we are taking some of the best narcotics investigators in the world and attempting to make soldiers out of them in a very short amount of time. The original 1988 drug bill that Senator D'Amato and I introduced included a provision for the establishment of a "Latin America Strike Force".

Our provision would not have included U.S. Military Troops marching into Latin America, but would have been limited to U.S. Troops providing training and assets for Latin American countries to battle the NARCO traffickers.

Recent reports out of Latin America show the narcotics traffickers gaining strength. The number of hectares being cultivated for coca production is increasing and governments in Peru and Colombia are no match for the drug cartels.

Do you believe the time has come for the U.S. to go a step further in the war on drugs and enlist the help of the Department of Defense in Latin America? Would you favor limiting the use of the military to training and providing assets or do you support sending U.S. Troops into the area?

Answer.

The Department of Defense plays an important role in our efforts to control the flow of drugs to the United States from abroad. DOD already provides critical support to our foreign counterdrug programs through the loan of equipment and weapons, the use of transportation assets, and by providing certain types of intelligence support; it also has the lead role for detection and monitoring in interdicting drugs in transit for the U.S. by air and sea. We would like to see a continuing strong Department of Defense role, consistent with legislative constraints and overall U.S. Foreign policy objectives. We do not see an operational law enforcement role for U.S. military forces overseas.

DOD's provision of military training for U.S. law enforcement personnel is an important part of our overseas effort. Training of Drug Enforcement Administration agents is meant to provide them with a strong self-defense capability, and is not intended to give them a military function.

DOD training of Latin American personnel engaged in counternarcotics activities continues to be important to our national interest in supporting the efforts of foreign governments to conduct counterdrug efforts on their own.

Question 18

Do you believe tough user accountability provisions must be the core of this country's national drug policy? Is this an area where State and local governments must get more involved?

What type of Federal user accountability provisions are you considering?

Answer

Tough user accountability provisions must certainly be an integral part of our efforts to win the war on drugs. Illegal drug use is a serious matter, serious enough for society to require the individual to pay an appropriate price for anti-social behavior, just as is done for any other criminal act -- from petty larceny to murder.

Moreover, so long as we give inconsistent messages about illegal drug use -- implying that it is at best a victimless crime without personal sanctions against it -- we are disserving those whom we would in fact help and are undermining our own efforts to eradicate illegal drug use.

I would also add that the casual user of illegal drugs shares responsibility for the murder, the brutality, the corruption that is part of the chain by which he gets his drugs. He is also responsible for those drug users who endanger the public safety because he sets the tone for tolerance, and that tolerance has killed and continues to kill innocent people.

On these points I find general agreement. And yet I also find that we lack the resources to ensure that consequences always follow crime. Drug dealers generally get several bites at the criminal-justice system apple before serving serious time. Our court dockets are too full; our jails and prisons are too full; some of our judges are less serious about drugs than are the dealers who deal them, the children who take them, and the families that are ruined by them.

We have to do more. We have to do better. We need to reconstitute authority. What those of us in Washington, in the States, and in the localities can do is exert the political authority necessary to make a sustained commitment to the drug war. We must build more prisons. There must be more jails. We must have more judges to hear drug cases and more prosecutors to bring them to trial. And there must be more Federal agents to investigate and solve drug crimes and break drug networks. The President's Crime Initiative addresses many of these needs. The National Drug Strategy will address many more.

As for user accountability provisions, I intend to be specific on this subject in the National Strategy which I'll send to Congress in September. In the meantime, let me say that those who transgress must make amends for their transgressions. That's an idea central to any conception of just government. Consequences come in many forms. In law enforcement terms, they include policies such as the seizure of assets, stiffer prison sentences, revocation of bail rights, and the death penalty for drug kingpins.

Question 19.

The Office of Substance, Abuse, and Prevention (OSAP) recently stopped accepting applications for the funding of State and Local prevention programs after the total they had received reached 1,000. Of these applications, OSAP has the money to fund 55 new programs. Last year, OSAP's budget provided funds only for the continuation of the programs they had funded the previous year. This is a crime. Yet, we encourage State and local governments, community groups, and private non-profit organizations to get involved in the battle against drug abuse, but we fail to provide the funding.

The problem at OSAP is their budget is controlled by the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA). OSAP is forced to compete with the research side at ADAMHA for a portion of the Federal treatment and prevention funds available.

Using the shortfalls at OSAP as an example, how should the Federal Government, faced with a huge budget deficit and limited funding, prioritize that funding?

Do you believe that State and local governments should take on a greater share of the anti-drug funding?

Answer

In my assessment, one of the more difficult tasks any President faces is the need to balance competing priorities for Federal funding. While our Strategy, which is due September 5th, will articulate how we would propose to address the competing priorities within the drug budget. To answer your second question, however, I would say, yes, I believe many State and local governments could do more to fund drug control programs, and where they can, they should.

Question 20

The Drug Enforcement Administration recently released its national narcotics report for 1988 and the figures on domestic marijuana production are an embarrassment. The DEA now estimates that at least 25 percent of all the marijuana available in this country is domestically grown. I have done my share of criticizing foreign governments for not doing more to eradicate illegal drugs, and I have no trouble criticizing our own efforts. They stink~~. I~~ sent my staff to Kentucky last year to travel with the DEA when they mounted eradication operations. They were able to get a first hand look at what tools the frontline people need. I spend a good deal of time during negotiations on the 1988 drug bill attempting to address some of these problems.

However, I believe the most important factor in regard to marijuana, which must occur, is that the attitude of Americans must change. I was thrilled to learn that the Oregon State legislature recently voted to rescind the State's 16-year-old law to decriminalize the possession of small amounts of marijuana.

Do you agree that domestic marijuana production is an embarrassment to this country's anti-drug effort?

What types of steps would you suggest be taken to cope with the problem?

Answer

The high level of domestic marijuana production is unacceptable. A strong eradication program is necessary so that success in reducing supplies from foreign sources will not be offset by increased production from domestic sources.

All levels of government should be concerned about domestic production of marijuana. At the Federal level, many agencies offer support. For example, the national Domestic Marijuana Eradication and Suppression Program -- coordinated by the Drug Enforcement Administration -- promotes information sharing and provides training, equipment, investigative assistance, and aircraft to State and local enforcement officials. The US Forest Service and the Bureau of Land Management are involved in a major effort to eradicate marijuana being cultivated on Federal lands.

As we develop the National Strategy, we are examining ways to decrease domestic drug production, sale, and use.

Question 21.

Another problem involving the Southwest border is the President's request for the U.S. Border Patrol. As you are aware, the Border Patrol assumed additional responsibilities in 1986 when the Drug Policy Board designated the Patrol as the lead agency on the Southwest border for drug interdiction between the ports of entry. The Border Patrol has done an outstanding job along the border with its added responsibility. In the first six months of this fiscal year, seizures of marijuana and cocaine by the Border Patrol surpassed the record 1988 numbers.

Yet the problem now facing the patrol is not only drug traffickers but the President's budget knife. The Fiscal Year 1990 budget request and the accompanying staff-levels supplied by the "INS" include a cut of nearly 200 border patrol officers for the nine sectors on the Southwest border.

Do you agree with the President's Budget proposal to cut Border Patrol officers and if not, have you spoken with the President or Attorney General about restoring the cuts?

If so, why doesn't the President's FY 90 crime package include additional funds for the Border Patrol? Why aren't you recommending that some of the

Special Forfeiture Fund proceeds be used to increase staffing for Border Patrol agents?

Answer

I am not going to second guess specific decisions the Administration made before I was confirmed in my current position. My responsibility vis-a-vis the drug budget is forward looking, not retrospective. As to why we didn't include funds in our recommendation for the Border Patrol, I believe the gravity of the overcrowding situation in the Federal prison system and the need to apply additional resources to select high intensity drug trafficking areas, compel us to address those needs first.

Question 22.

The most important tool that State and local law enforcement agencies have available to them is the ability to seize the assets of drug dealers and traffickers. These agencies are also eligible to receive a share of the forfeited assets from joint operations with Federal law enforcement agencies. In Arizona recently, the U.S. Customs Service handed over to three separate Police Departments over $2 million in forfeited assets.

The problem State and local agencies have had to deal with when working with the Federal agencies on asset forfeiture cases, is long delays in getting their share of the forfeited funds. This has been an ongoing problem.

Do you support State and local agencies receiving a share of the forfeited assets when working joint operations with the Feds?

Do you have any suggestions on how the asset forfeiture program can be improved so that the delays faced by State and locals will be a thing of the past?

Answer

Yes, I strongly support the program of sharing forfeited assets with State and local agencies who participate with Federal agencies in cases. I am looking at possible ways to improve the overall program and hope to have something to say on this in the Strategy.

Question 23a

As you know, Mr. Secretary, one of the biggest problems on the supply side of the drug problem is the constant battle over turf amongst the Federal law enforcement agencies. What do you plan to do to address the constant struggles for the limelight at the Federal level?

Answer

There are a large number of agencies and Departments involved in the war on drugs at the Federal level. In the past, these agencies have not always had clearly delineated responsibilities. This can cause problems with agencies

sometimes stepping on each others toes in their anti-drug efforts.

One of the mandates of my Office is to devise an overall organizational battle plan to make clear who should do what. Improving coordination among the Federal players continues to be a focus of my attention as my Office prepares the National Strategy.

The Federal anti-drug effort requires that many Departments and agencies be involved. I have already met privately with a number of Department and agency heads--Attorney General Thornburgh; Secretaries Baker, Cheney, Brady, Kemp, and Cavazos; Director of Central Intelligence Webster, Brent Scowcroft at NSC, Bill Sessions of FBI and Jack Lawn of DEA --and I plan to meet with other colleagues in the Federal anti-drug business. All agencies are increasingly aware of the need for better cooperation and coordination.

But let's be honest. The reason we haven't won the drug war is not that Federal agencies occasionally have turf problems. While we must try to sort these problems out and move to improve coordination among agencies, we must do lots more than that. In my Strategy, I will look at these problems, but also at other matters that can get us on the right path.

Question 23b

Have you given any thought to the problems created by the use of seizure statistics by all of the law enforcement agencies? Is there some way we could still get the seizure statistics without attributing it to a particular agency?

Answer

I am aware of the long-standing problem of double-counting of drug seizures, particularly when multiple agencies are involved and custody for drugs changes hands from one agency to another. We have made some progress in overcoming this problem.

We now have in place the Federal-wide Drug Seizure System (FDSS) a computerized data base which allows us to track the total amount of drugs seized by Federal agencies. The FDSS does not maintain seizure statistics that are attributable to particular agencies, nor was it designed for that purpose. The first data on Federal-wide seizures will be available from this system later this month.

Individual agencies do, however, maintain their own statistics on the amounts of drugs seized by their personnel. Agencies use these numbers as measures of their activity, and when they are reported to Congressional committees, the numbers may form the basis for budgetary and resource allocations.

In part, the issue revolves around the fact that agencies--and the people within them--are evaluated on the basis of these numbers. It's important, therefore, that employees and agencies rely on numbers and get credit for them. We have to do two things: devise a better way of sorting the numbers out, and devise a better way of evaluating the work of individuals and agencies so that they can be rewarded for helping solve problems that are hard but that might not readily translate into increased seizure numbers.

Question 24.

Mr. Secretary, can you tell us what progress you are making in filling the remaining Deputy Director positions within the Office of National Drug Control Policy? This is late in the fiscal year and some of us are getting concerned that the National Drug Control Strategy is being written without the input and recommendations of your two deputies authorized in the 1988 Drug bill. Can you give us any indication as to when these Deputy Directors will be named?

Answer.

On June 8, 1989, the Senate confirmed Judge Reggie Walton to be the Associate Director for State and local programs. I am delighted to have Judge Walton on our team and to have his input as we develop the Strategy. With regard to the other two deputies, I believe the White House is close to announcing our other two deputies and we are hopeful that they will be on board soon.

Both the Supply and Demand Deputies will be able to hit the ground running once confirmed. We currently have a supply reduction staff that has been gathering information for the Strategy. The same has been true in demand reduction. In addition, my staff and I have been meeting with groups from around the country to discuss drug prevention and treatment programs. I have visited with several treatment centers to see firsthand how they work and to discuss the problems these centers encounter. I feel confident that the Deputy Directors for Supply and Demand reduction will be able to play meaningful roles in either the development or the implementation of this strategy.

Question 25.

Have any staff been hired for these offices to date or will these decisions be made once the Directors are named?

Answer.

As I said in the previous response, we do have staff currently working on the Strategy in both the Supply and Demand offices mostly as detailees. Each of the Deputy Directors will, however, have the opportunity to hire more staff subsequent to their confirmation.

Question 26.

Mr. Secretary, the 1989 DOD Authorization Bill gave the Department of Defense the lead role for detection and monitoring in the drug interdiction war. While I have seen the Department's general plans for establishing two joint task forces, one on the East Coast and one on the West Coast, I haven't seen any specifics with reference to the DOD role. I know that DOD is thinking about establishing joint intelligence centers which will cost about $60 million each. From what I understand of the plan, the DOD "JICS" would duplicate the function of the existing command, control, communication and intelligence (C3I) centers of the Customs Service in Richmond Heights, Florida and at March Air Force Base in California.

The DOD role was to integrate, not duplicate the C3I and reduce the effectiveness of the Customs Centers. Has DOD discussed any of their specific plans with your office? If so, can you give us any assurance that whatever plan they actually develop will be approved by you and not duplicate existing resources?

Answer

Yes, the Defense Department has discussed their plans with us on several occasions. To date, we do not see duplication in what is being proposed; however, we intend to review very carefully the entire proposal when it is formally forwarded to our Office for approval.

Question 27.

Mr. Secretary, I am sure you have been visited by Federal Law Enforcement representatives who are growing increasingly concerned about their inability to hire and retain qualified law enforcement personnel because of the disparity between the Federal Government and local law enforcement jurisdictions on pay. The 1988 drug bill authorized GAO to establish a commission to review the pay disparity and make recommendations to the Congress. Their recommendations are due out in September.

If the Commission recommends higher rates of pay for law enforcement in Fiscal Year 1990, would you make recommendations to the President that the funds to implement those pay increases be given to these agencies in Fiscal Year 1990?

Answer

I am aware of the problem the law enforcement agencies are having regarding pay. It is a problem faced not only by law enforcement, but by many other agencies/professions as well. However, I am not prepared to comment on my probable reaction to a GAO study until I have had a chance to read it.

Question 28.

The Anti-Drug Abuse Act of 1988 instructed all Federal agencies involved in organized crime drug enforcement task force activities to transfer funds and personnel used to support these activities to the Department of Justice. In each agency budget justification for fiscal year 1990, the transfers to Justice of "OCDETF" are shown.

Mr. Secretary, to my knowledge, there is no requirement on the part of Justice to ensure that the funding and personnel transferred from each agency will actually be reallocated to the agency to support those activities and the personnel transferred. Justice, to my knowledge, has not formulated any formal agreements with the other agencies. I fear that without some formal policy, that DOJ could simply take the funding and staff positions to support other DOJ programs and activities and the other agencies could be left in a lurch.

Are you familiar with this transfer, Mr. Secretary, and if so, can you make sure that Justice develops some formal agreements with the other agencies so we are not faced with budget shortfalls in other law enforcement agency budgets?

Answer

Yes, I am familiar with the OCDETF program and the budgetary changes you are referring to. My understanding is roughly the same as yours, that is, that the Attorney General has a fair amount of discretion in terms of how he apportions the funds back to the participating agencies. In fact, Section 1055 of the Anti-Drug Abuse Act of 1988, which created these changes to the OCDETF program, specifically states that part of the rationale for the changes was to provide the Attorney General such flexibility.

In general, I think providing flexibility to the "generals in the field" is a good idea. They probably know best where the money is needed. However, as part of my budgetary oversight responsibilities, I will have ample opportunity to review the levels proposed for the eleven OCDETF agencies, and will make known to the Attorney General any concerns I might have about the proposed levels.

QUESTIONS SUBMITTED BY SENATOR J. ROBERT KERREY

Question 1

Americans have been involved in efforts to control smoking and alcohol for some years. Are there parallels between the use/abuse of these substances and drugs or are we talking about something entirely different? Can we learn any lessons about addiction and treatment from these other areas? How long did it take to develop effective programs in these areas?

Answer

Some of the things we have learned from alcohol and tobacco do parallel our approaches to illegal drugs, but we should not lump them together. What we learn about one can sometimes be applied to others. The National Institute on Drug Abuse estimates that 90 percent of those who smoke started smoking as youths and became addicted before reaching adulthood. Thus the most obvious lesson learned in our fight against drugs is the importance of reaching our youth with the facts about drugs before they become addicted.

The alcohol treatment self-help groups like Alcohol Anonymous (AA) and the twelve steps used by AA to achieve abstinence are also employed in other drug treatments such as the Narcotics Anonymous group. In the area of alcohol research, genetic factors have been found which indicate a genetic involvement. We are just beginning to work in this area as it relates to drugs.

Regarding the length of time it took to develop effective smoking treatment programs, according to the American Cancer Society, their "Fresh Start" program took almost 40 years to develop and the fine tuning process is ongoing. The founder of Alcohol Anonymous developed the concept of that program in about two years, but it continued to be refined for many years.

Question 2.

Various agencies have been successful at seizures and closing off entry points for drugs, but drugs still come in. Do you believe it's possible to drop a "net" around the U.S. or will we have to be content to seizing what we can and hoping that the seizures plus the possibility of seizure will at least stem the flow?

Answer.

We should not, and we will not, assume a passive posture and remain content to simply seize what we can and hope for the best. An extensive, in-depth interdiction system which presents a complex and changing series of barriers exposes drug smugglers to increased risk, complicates the smuggler's task, and forces them to undertake increasingly costly and uncertain maneuvers. We intend to make their life difficult. We must make interdiction operations more effective.

It is not possible, however, to seal the borders so as to stop all shipments of illegal drugs. As a nation, we depend on open borders for international commerce. The impact of sealing our borders on individual freedom of movement and commerce would be negative and extreme.

There is no single solution to the border problem. The national effort must integrate resources and responsibilities in a cohesive and coordinated way, involving air, maritime and land interdiction efforts.

In furtherance of this objective, representatives of my office have met with members of coordinated interdiction operations, such as Operation Alliance on the southern border. In addition, I have met with and sought the advice of headquarters and field officials of Federal agencies with border control responsibilities, and with State and local officials with jurisdiction over areas adjacent to the border.

I believe we can improve our current approach of identifying principal routes and modes of transportation of illegal drugs to and through our borders. We are currently examining the methods and means for doing this better. All facets of interdiction have been given a high priority in the development of the upcoming national strategy.

Question 3

Some, rather limited, studies indicate that use of cocaine has decreased among population groups which now appreciate its dangers. Do you agree with that assessment? Do you forsee further educational/informational efforts in this area?

Answer

I agree with that assessment. I believe you are referring to the National High School Senior Survey sponsored by the National Institute of Drug Abuse (NIDA). The 1988 Survey found decreases in cocaine use by high school seniors for the second year in a row. In 1988, the proportion of seniors who have used cocaine at least once dropped by one-fifth, from 15 percent in 1987, to 12 percent in 1988. Cocaine use within the last 30 days has dropped nearly one-fourth, from 4.3 percent in 1987, to 3.4 percent in 1988.

Despite this decline in cocaine use among high school seniors, there are many subgroups in the general population whose cocaine use patterns are becoming more compulsive and more damaging. This explains the increase in cocaine-related emergency room cases. High school drop-outs are one such subgroup about which we are very concerned and we need to continue our efforts to reach them. The Office of Substance Abuse Prevention is sponsoring over 130 grants to community organizations. The grants are to be used for youth projects to provide the basis for intervention among young people who are most vulnerable. We must continue our educational efforts until it becomes a clear American ethic that drugs have no place among any group in our society. We will, of course, look closely at the drug education efforts as we prepare our new National drug strategy.

Question 4

I keep reading that we don't know much about "crack". Can you give a short summary of what we do know?

Answer

We know that crack is a lethal form of cocaine that has been chemically altered so that it can be smoked. We also know a great deal about crack's pharmacology - how it acts in the brain. Crack can be rapidly addicting, it reaches the brain within six seconds, and produces instant euphoria. This rapid "high" is followed by a profound "low" that leaves the user craving more. Crack is much cheaper than cocaine (the price for 1/10 gram ranges between $5-$20).

What we do not know much about is how to cure addiction to crack. Current treatment methods are not showing high rates of success with crack users. Crack is a recent drug, and one whose use is still increasing among some sections of the population.

Question 5

There are obviously short-term and long-term solutions to pursue. If you had to produce some results in the war against drugs in 6 months, what actions would you take?

Answer

As you know, we are in the process of producing a National Drug Control Strategy. I am reluctant to outline, even in general terms, any short-term solutions until such time as the Strategy is complete, coordinated, and sent to the President.

Question 6

You are to present to Congress in September a National Drug Control Strategy.

What process are you using to develop the strategy? What procedures?

How are you involving State and local governments?

Answer

As you are aware, the development of the Strategy requires a consultative process and I believe that is good. I have and will continue to meet with agency heads and others within the Federal government to get their input and more detailed discussions are being conducted at the staff level.

The Federal agencies are being called upon to provide a variety of information and answer hard hitting questions -- we are trying to get all the information available in order to make our document respond not only to the legal requirement, but to the needs of the Nation -- that is, to take us forward in the crusade for a drug-free America.

I have also been talking to and meeting with many in the Congress, and have sent a letter to all Members of the House and Senate inviting them to send me their thoughts, suggestions, and recommendations in this area.

I have found one of the most interesting steps in the process to be my meetings with State and local officials and individuals from the private sector. I have held a series of "topical" meetings with experts in the private sector on such subjects as criminal justice, treatment, international, prevention, parents, law enforcement. These have been valuable to me personally and have provided good background information on the range of issues concerning people in the "field."

I have solicited written suggestions and background from a diverse group of individuals -- State and local officials as well as those in the private sector. This written material is particularly useful because it not only provides information for possible inclusion in the Strategy, but invaluable background material which will aid our future efforts.

In June, my office held a series of meetings with senior Department and agency officials to discuss a wide variety of policy issues in the subject areas noted above. Later, the National Strategy will be presented to the Domestic Policy Council (DPC) for its review prior to forwarding the Strategy to the President and then Congress. I should point out that the Domestic Policy Council membership will be augmented by several Departments not normally part of the DPC.

Question 7

What is the status of the Strategy?

Answer

Earlier this year I wrote Members of Congress, each Senator, over 300 State and local officials, and members of the private sector soliciting their input as we prepare the

National Strategy. We are now reviewing the hundreds of responses to my request. After reviewing this material and consulting, to the extent time allows, with State, local, private and Federal experts, we have now begun to formulate and write the Strategy. Additionally, I continue to meet with various officials from the Federal government and State, local and private sector. They are not hesitant, thankfully, about offering their advice.

I anticipate that we will meet the September 5, 1989 deadline.

Question 8

You have authority to designate "high intensity drug trafficking areas." Have you developed any criteria beyond what is in the legislation for designating such areas? If so, what is that criteria? If not, do you expect to do so? Do you intend to use comparative criteria, i.e., will those areas with the greatest statistical problems tend to be the ones designated?

Answer

It is true that the legislation offers some guidelines as to the criteria for designating high intensity drug trafficking areas.

We are currently at work on refining those and identifying additional criteria. We will articulate our approach to designating high intensity drug trafficking areas in the National Drug Control Strategy, which I will send to the President and to the Congress by September 5, 1989.

Question 9

When do you expect to make any designations? How many do you expect to make in FY 89? FY 90? Have you considered designating the District of Columbia?

Answer

I have not decided when we will begin to designate high intensity drug traffficking areas, or how many areas we will select. The National Drug Control Strategy will set out an orderly process for selecting these communities in a manner that is fair and responsive to the needs of the specific areas and to the Nation.

We do not intend to designate the District of Columbia as a high intensity drug trafficking area, though it has a serious drug problem, because it doesn't fit the criteria established in the Anti-Drug Abuse Act. While the District was not designated, this office did assist in setting up a number of joint Federal-District initiatives targeting law enforcement, public housing, and drug prevention efforts which are already underway to address the problems of drugs and violence in this city. We are continuing to monitor those initiatives.

QUESTION 10

What kinds of Federal resources would you expect to make available to designated areas? Is there a limit on the resources available to you for use in the designated areas? If so, will that limitation affect your designation?

ANSWER

The ONDCP's congressional submission identified $21 million in Special Asset Forfeiture funds for FY 1990 to be available for designated areas. At this time, however, no decisions have been made about the types of Federal resources we will make available to localities designated as high intensity drug trafficking areas. The types of resources needed might vary from location to location, so we are working on the means to provide the necessary flexibility.

Question 11

The National Drug Control Strategy which you are to develop is to include "research-based" long-range goals for reducing drug abuse. How do you interpret the "research-based" part of the requirement? What research sources are you using for your first strategy?

Answer

We interpret "research-based" part of the requirement to mean that our goals should be based on data about the extent of the current drug problem, and estimates of the how much our programs and policies will reduce it. To that end, we will be calling for extensive drug-related data collection at all levels of government, and by private as well as public entities.

As for the research sources for our first National Strategy, we are analyzing and synthesizing data provided by agencies at the Federal, State, and local levels, as well as by private research organizations. We are also analyzing the inputs we received from Congressional, State, local, and private sources.

Question 12

Of the $12 million you have requested, $7 million was to go to staffing and $5 million to research. Under that scenario, how would you spend the research money? If the earmarking is changed so that you could spend more on staff, how would you divide the $12 million? If more is devoted to staff, what types of research would not be funded because of the lower research figure?

Answer

The original $12 million budget, split between $7 million for staffing and $5 million for research, was proposed before my confirmation, and was developed with only a limited understanding of the precise needs of the Office.

Now that I've been here a few months and we've hired some staff and begun our work, I can see that it may be necessary to use some portion of the money originally earmarked for research for staffing and other administrative needs. We would like the flexibility, especially in this crucial first year, to make those decisions based on our needs.

This is not to say that we are backing away from research. We remain firmly committed to research on what works in reducing drug abuse in this country. At this time, we are not prepared to determine what research will go unfunded because of our staffing needs. We will make every effort to obtain the data we need to inform our National Strategy.

Question 13

How will the research supported by your office differ from research undertaken in other departments and agencies? What will the coordination be for government-wide research?

Answer

The various agencies who gather drug-related data usually do so in support of their particular missions. The data gathered by the National Institute on Drug Abuse, for example, address the scope of the national drug problem and the characteristics of drug users. The Drug Enforcement Administration also collects drug-related data, but they focus on supply reduction information such as drug prices, seizures, and arrests. My Office will be coordinating the drug-related research and data collection activities of all the agencies, and providing guidance on national priorities for research and data collection.

In conjunction with OMB's Office of Information and Regulatory Affairs, we currently review agencies' research activities. We will take whatever steps are necessary to avoid duplication and to coordinate government-wide research.

Question 14

Have any research contracts been made by your office to date?

Answer

No research contracts have been made by the Office of National Drug Control Policy to date.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Question 1

On March 13, 1989, the Bush Administration submitted a fiscal year 1990 budget amendment requesting that the $3.5 million Reagan request for "salaries and expenses" of the Office of National Drug Control Policy be increased by $8.5 million. Of that total $12 million in funding proposed for the office, an earmark of $5 million was requested for research activities.

You indicate in your testimony that you are proposing a change to this language which would remove the earmarking of $5 million for research in order to allow you the flexibility to allocate additional funding for staff, if necessary.

When will this revised budget amendment be formally transmitted to the Congress?

Answer

This revised budget amendment was transmitted to Congress on July 25, 1989.

Question 2

Have you identified the research activities your office needs to undertake? If so, what are they? What are you doing to survey research efforts already undertaken or currently underway to avoid any duplication of effort by your office? Will this research be performed in-house or will it be contracted out?

Answer

The most immediate research needs of our agency involve determining the programs that are essential to the implementation of our National Drug Control Strategy.

Our most immediate research tasks will be to identify and synthesize research from a variety of Federal and non-Federal sources. We need to broaden the base of information and data available on:

- the scope of the drug problem--the frequency, intensity, and prevalence of drug use;
- which programs work to reduce demand for drugs;
- which programs work to reduce the supply, which domestic or international programs are most cost-effective.

Once we have identified our information needs and begun to gather baseline data, we will be able to make more informed decisions about allocating our Federal drug-control resources.

The problem with gathering drug-related data at the Federal level is not so much duplication of effort, as it is lack of information. We are coordinating with Federal agencies, and, where it is feasible, we will piggy-back our information needs onto their research activities.

We have already been analyzing data from a variety of sources. However, as for performing research in-house or contracting out, we simply do not have the resources to carry out the primary research ourselves. We will adopt at this time a flexible approach--in some instances, we will call on relevant agencies to take advantage of their research capabilities. In other cases, we may need to contract research out.

Question 3

Page 8 of the budget justification indicates that an amendment is being proposed to Section 6073(b) of the Anti-Drug Abuse Act of 1988 regarding special forfeiture fund deposits. The amendment proposes to delete the phrase "remaining at the end of each fiscal year" from the law.

Will the Administration be submitting proposed legislation to the Congress to amend the Anti-Drug Abuse Act of 1988 as you have described? When will that legislation be submitted? Are any other amendments to the Anti-Drug Abuse Act being proposed by the Administration?

Answer

Yes, we intend to transmit proposed legislation to the Congress making this change to the Special Forfeiture Fund. The proposed legislation is currently in the clearance process. We do not anticipate proposing any other amendments to the Anti-Drug Abuse Act this year.

Question 4.

You indicate that the purpose of this proposed amendment is to allow the disbursement of Special Forfeiture Fund monies during Fiscal Year 1990. I note that appropriation language also is being requested for Fiscal Year 1990 to make available until expended up to $150 million from the Special Forfeiture Fund. You estimate that $136 million will be available for transfer into that fund from the Department of Justice Assets Forfeiture Fund at the close of Fiscal Year 1990. These proposals, however, do not comply with the provisions of the Anti-Drug Abuse Act of 1988 relating to the operation of the Special Forfeiture Fund.

First, the Act authorizes the deposit to the Special Forfeiture Fund of up to $150 million in balances remaining in the Department of Justice Assets Forfeiture Fund at the close of Fiscal Year 1990 and each fiscal year thereafter for good reason. The intent of this provision was to assure that resources continue to be available for the operation of the Department of Justice Assets Forfeiture Fund during the fiscal year. Resources would only be transferred from the fund at the end of the fiscal year after it was determined that unexpended balances remained. At that point, unexpended balances up to $150 million would be transferred to the Special Forfeiture Fund and available for appropriation.

Question 4A.

If we were to amend the Act as you request, how can we be sure that the Department of Justice Assets Forfeiture Fund would not be negatively impacted?

Answer

As you point out, we have requested two things vis-a-vis the Special Forfeiture Fund (SFF). First, that Congress enact language appropriating "up to $150 million" to the SFF. This is in accordance with the requirement in Section 6073 of the Anti-Drug Abuse Act of 1988 which states that Congress must take appropriations action before any money can be obligated from the SFF. The deposit into the SFF is automatic (per the ADAA of 1988), but appropriations must be made before any disbursements from the Fund can occur.

Second, we are asking that Justice be given the flexibility to transfer surplus monies to the SFF prior to the very end of the fiscal year if DOJ determines that surplus funds will be available. Note the emphasis is on DOJ, not ONDCP, making the determination. DOJ is supportive of ONDCP having use of the surplus funds, but there is clearly no incentive for Justice to transfer funds to us before it is certain that its own expenses can be safely covered, and the planned amounts have been shared with the State and local law enforcement agencies.

We will continue to work with DOJ, OMB and the Subcommittee to make sure this matter is resolved so that the SFF can become an effective weapon in the war on drugs.

Question 4B.

How, for example, would it be determined that balances in the Department of Justice Assets Forfeiture Fund would not be needed for authorized uses of that fund during the course of the fiscal year and would be available for transfer to the Special Forfeiture Fund? How many transfers would you anticipate in Fiscal Year 1990 and in what amounts? How have you calculated this?

Answer

We have not yet worked out all of the mechanics of this transfer. (We would anticipate a transfer occurring at the end of each quarter of the fiscal year, but this is negotiable.) I can assure the Committee that we will not change the amounts requested in the President's Budget for asset sharing, asset specific, and program related expenses. These amounts will not be short-changed by our proposal.

Question 4C.

Does the Department of Justice support the amendment you propose to Section 6073(b) of the Anti-Drug Abuse Act of 1988 to provide for deposits from its Assets Forfeiture Fund into the Special Forfeiture Fund prior to the end of a fiscal year?

Answer

Yes. In fact, Justice is assisting ONDCP in drafting the appropriate changes to the authorization language.

Question 5.

As currently authorized by the Anti-Drug Abuse Act of 1988, the President's Budget for the next fiscal year --in the immediate case, for Fiscal Year 1991, assuming the deposit of funds into the Special Forfeiture Fund at the end of Fiscal Year 1990 -- is to contain a detailed request for use of the amounts in the fund, reflecting the priorities of the National Drug Control Strategy. Furthermore, the Act makes expenditures from the fund subject to appropriation and specifies that such expenditures not supplant but supplement existing funds that would otherwise be available.

Question 5A.

You are requesting appropriation language for Fiscal Year 1990 to make available until expended up to $150 million from the Special Forfeiture Fund. You are in fact proposing appropriation action prior to the conditions set forth in the Anti-Drug Abuse Act being met, i.e., prior to the Administration's submission of a detailed proposal for the use of the amounts in the fund, prior to the release of the National Drug Control Strategy, and prior to regular Fiscal Year 1990 appropriations act having occurred as is necessary to determine that the uses for the fund will indeed supplement rather than supplant existing funds available.

Would you please explain the basis for this appropriations language request and why you believe we should not comply with the requirements of the law relative to the expenditure of amounts in the Special Forfeiture Fund?

Answer

The transfer of funds from the Department of Justice Forfeiture Fund to the Special Forfeiture Fund occurs in fiscal year 1990, therefore; it seems reasonable that an appropriation would occur in fiscal 1990. The request that the appropriation be "available until expended" is in accordance with the authorizing language in the Anti-Drug Abuse Act of 1988. Our budget justification materials specify that the funding will be used for prison construction and for activities associated with High Intensity Drug Trafficking Areas. At the time the President's 1990 budget was being formulated it was not known how these funds would be used.

The President's Budget contains a balance funding request cutting across several Appropriations Committees and involves no supplantation. As with any other funding request, the Administration will work with Congress to ensure that the final Appropriation bills are as close as possible to the original request.

If, as you suggest, the appropriation was made in the form of a 1990 supplemental rather than as part of the normal 1990 appropriation, it might cause the deficit reduction targets agreed to by the Administration and the Congress to be exceeded. This would also be problematic.

Question 5B.

Assuming enactment into law of the proposed amendment to Section 6073(b) of the Anti-Drug Abuse Act of 1988, the budget justification indicates that for Fiscal Year 1990, up to $115 million of the monies available in the Special Forfeiture Fund would be targeted on specific law enforcement-related activities and $21 million would be spent on activities associated with designated "high intensity drug trafficking areas."

Do you intend to submit a detailed request, by appropriation account, for use of the amounts available in the Special Forfeiture Fund? When will this be submitted to the Congress? After submission of the National Drug Control Strategy?

Answer

The $115 million proposed for Federal prison construction has by now been transmitted to Congress as part of the President's Violent Crime package. The funding for the High Intensity Drug Trafficking Areas should be appropriated to the Director of the Office of National Drug Control Policy, as the details of how this money will be allocated among the various drug control agencies will not be known for several months.

Question 5C.

The anti-crime package released by the President on May 15, 1989, indicates that $115 million from the Special Forfeiture Fund available to the Office of National Drug Control Policy will be used to meet the additional $1.0 billion proposed for Federal prison construction in Fiscal Year 1990. You indicate this $115 million will be targeted on specific law-enforcement related activities. Are you talking about Federal prison construction? If not, it would seem that there are competing proposals for the use of available special forfeiture fund monies.

Answer

Our budget justification materials were forwarded to the Committee before the President's crime package was finalized. It is our intention to use the $115 million mentioned in our budget for the Federal prison construction initiative announced by the President.

Question 6

The budget justification indicates that since the Office of National Drug Control Policy is an Executive Office of the President (EOP) agency, numerous administrative functions are handled by the EOP Office of Administration. However, because the office is not located on the White House complex, it is required to perform several administrative functions itself.

What administrative functions is the White House Office of Administration handling for the Office of National Drug Control Policy? Why does the location of the office prevent the Office of Administration from handling administrative functions it provides to other EOP agencies?

Answer

The Office of Administration provides administrative support on a reimburseable basis to ONDCP on certain activities. These activities include some financial, personnel, procurement, and computer services. ONDCP's computer will be located in the EOP Data Center and operated by OA personnel. Mail and some messenger services are also provided by the Office of Administration.

Due in part to our office location, all facilities related matters including location, space, renovations, security, furniture, equipment, telephone and computer support are the direct responsibility of ONDCP.

Question 7

When the White House Office of Administration testified before this subcommittee, it indicated that because the Office of National Drug Control Policy was not authorized until the close of 1988, it was unable to include support for this new office in its fiscal year 1990 request. As a result, the Office of Administration indicated that it would provide support to this new EOP office on a reimbursable basis until fiscal year 1991.

What amount is included in your fiscal year 1990 request for reimbursement to the Office of Administration for the administrative services it will provide for the office?

Answer

Our best estimate of the cost of administrative services provided to the Office of National Drug Control Policy by the White House Office of Administration in FY 90 is $400,000. This total includes computer services, mail service, procurement service, personnel service, payroll service, and financial management service. In addition, approximately $250,000 of additional expense for supplies, postage, and printing will be contained in the FY 90 Interagency Support Agreement that ONDCP holds with the Office of Administration. These figures are estimated based upon our partial year expenses to date, however ONDCP has not yet negotiated FY 90 Interagency Agreement with the Office of Administration.

Question 8

The fiscal year 1990 budget request for printing and reproduction is $500,000. The justification indicates that this amount will cover basic printing needs for legislatively mandated studies and reports of the office, as well as periodic reports to the public, and newsletters to promote coordination between Federal agencies and state and local governments. How much of the total funding requested is for printing of required studies and reports? How much is for reports to the public? How much is for newsletters?

Answer

The fiscal year 1990 request of $500,000 for printing was our best estimate of the approximate level of funding required in FY 90 to cover all ONDCP printing costs. This funding will cover the costs of printing and disseminating the National Drug Control Strategy (one in September, 1989 and one in January, 1990) and other mandated reports and studies. However, we are uncertain at this time of the precise amounts that will be required for these necessary expenses.

Question 9

How many staff positions are currently filled? How many detailees from other agencies are currently being utilized by the office? Are these detailees being fully reimbursed? If not, why?

Answer

We currently have 62 positions filled and 32 additional detailees. Four of the detailees are on re-imburseable details. With the need to meet legislative requirements quickly with a limited budget we requested and received a number of detailees on non-reimburseable details as provided for "when the detail involves a matter related to the loaning agency's appropriation and will aid in it accomplishing the purpose for which appropriations are provided." (FPM 300-31).

Question 10

The fiscal year 1990 request includes $4,254,000 for personnel compensation and benefits to provide full-year salaries for 64 full-time permanent positions; temporary employees, including consultants; and overtime and holiday pay.

Of the total amount requested, what level of funding is proposed for the temporary use of other Federal department and agency employees by your office? What is the number and length of details assumed? How much is assumed for consultants?

Answer

The FY 90 Congressional budget request did not include funding for the temporary use of other Federal department and agency employees. It was assumed that in general all detailees would be made on a non-reimbursable basis, as is currently allowed under OPM guidance (FPM 300-31).

Question 11

I would say that the Congress, by mandating the positions of Deputy Director for Supply Reduction, Deputy Director for Demand Reduction, and an Associate Director to head the Bureau of State and Local Affairs within the Office of National Drug Control Poilcy, and by requiring that the persons filling these positions be appointed by the President by and with the advice and consent of the Senate, indicated the importance it placed on these three Divisions of the office. I note, however, that of the 64 full-time permanent positions requested for the office for fiscal year 1990, only 3 positions are requested for the Deputy Director for Supply, 6 positions are requested for the Deputy Director for Demand, and 5 positions are requested for the Associate Director for State and Local Affairs.

Would you please explain to us why these three Divisions are receiving roughly less than 5 percent of the total full-time permanent positions requested for the office for fiscal year 1990, and why, for example, the Deputy Director for Demand is being allocated twice the number of positions being allocated to the Deputy Director for Supply?

Answer

The FTE authorization for the Office of National Drug Control Policy has recently been increased to 96. The Deputy Director for Supply currently has eleven permanent positions and the Deputy Director for Demand has twelve permanent positions. The Associate Director for State and Local Affairs has thirteen permanent positions. We expect these FTE to be augmented by detailees from other Federal agencies. The final structure of these offices will be determined as each Director is confirmed.

Question 12.

As the budget justification points out, in addition to the Office's main tasks of developing a National Drug Control Strategy and a consolidated National Drug budget, the Anti-Drug Abuse Act of 1988 mandates the Office of National Drug Control Policy to conduct numerous studies, to develop reports, and to chair commissions. The justification gives some examples: A study on the reorganization of Executive Branch activities related to drug control is due on January 15, 1990; a study on the reorganization of Department of Justice activities related to drug control is due November 18, 1989; a report on the denial of Federal benefits to drug users and traffickers is due on May 1, 1989; a report by the Commission on drug-free schools is due November 18, 1989; a commission on measured responses to achieve a drug-free America by 1995 is to be chaired by the Director; and a report is required on the use of existing research and development facilities by civilian law enforcement agencies.

Question 12A.

You indicate that funding for the Commission on Drug-Free Schools will be provided by the Department of Education. How will these other required reports, studies and commissions be financed?

Answer

All of the studies you mention, with the exception of the Commission on Measured Responses, will be conducted by ONDCP and other government staff within existing resource levels. The mission of the Commission on Measured Responses is too ambitious for us to undertake "in-house" and could be done only if Congress appropriates additional funds for this project.

Question 12B.

Are all of these efforts underway? If not, which have not been initiated.

Answer

Work on all but the Commission on Measured Responses has begun.

Question 12C.

Do you plan to undertake these required reports and studies in-house or will they be contracted out?

Answer

All of the studies you mention, with the exception of the Commission on Measured Responses, will be conducted by ONDCP and other government staff within existing resource levels. The mission of the Commission on Measured Responses is too ambitious for us to undertake "in-house" and will have to await Congressional appropriations.

Question 13

The fiscal year 1990 request currently proposed for "other services" is $5,336,000. How much of this proposed amount is for research contracts? How many contracts are assumed?

How much of the total requested for "other services" is for ADP service contracts?

Answer

The FY 1990 request provided $5 million for research contracts. However, the actual amount will depend on the level of spending on critical administrative matters (space, security, etc.). Because we have just begun to develop a detailed plan for research, we cannot say how many contracts are expected.

With respect to the issue of ADP service contracts, we are working with the White House to define our needs. Our preliminary estimate is that basic ADP support will cost approximately $150,000 in FY 1990.

Question 14

The budget justification includes $200 thousand for fiscal year 1990 for essential staff and invitational travel. It indicates that the office intends to include some invitational travel for consultation. How much of the $200 thousand requested is for invitational travel?

Answer

The law requires the ONDCP to consult with state and local governments in matters pertaining to the National Strategy. The $200,000 for FY 1990 provides for staff and invitational travel. We expect that possibly as much as $50,000 of these funds may be used for invitational expenses for conferences, meetings, and other activities to facilitate the consultation process.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Question 1

It is my understanding that beginning with FY 1990, the Federal Bureau of Investigation and the Drug Enforcement Administration will not be able to satisfy all of their respective training requirements at the FBI Training Academy in Quantico, Virginia. What plans exist for assuring that the DEA will be able to meet all of its training needs in the coming fiscal year? Would it not be preferable and even mandatory to design and build a facility for DEA's needs which would incorporate the agency's unique requirements in the expanding war on drugs? What are your views on this matter?

Answer

I agree that having well-trained law enforcement officers is critical to our effort to fight the war on drugs. The President's 1990 Budget requests additional resources to provide and improve training for the numerous law enforcement personnel out on the front lines. While I am not yet prepared to comment in detail on the existing training program, I do intend to

monitor the training situation carefully, and will recommend any changes I believe are necessary.

Question 2

In your professional opinion, Dr. Bennett, please tell the Committee, in general, your views on incarceration of those who have been convicted of drug-related crime and specifically, the necessity for additional prison capacity to house the increasing number of inmates expected to be sentenced under the anti-drug abuse initiatives.

Answer

Individuals who violate laws should be held accountable for their actions. All parties involved with illegal drugs -- producers, dealers, and users -- should know that society will not tolerate their behavior. Individuals convicted of drug-related crimes that are sentenced to prison should go to prison. With respect to the issue of prison overcrowding, I believe we must continue to expand the capacity of our prison system, and the National Strategy will make recommendations to that effect.

QUESTIONS SUBMITTED BY SENATOR ALFONSE M. D'AMATO

Question 1

How is your relationship with the Department of Defense? What do you envision as the Defense Department's role in the national drug strategy? How can we help you in better establishing this relationship?

Answer

My relationship with DOD is excellent. I think the Secretary of Defense and I are in full agreement that the mission of DOD in the drug war is one of support and assistance to agencies involved in national and international narcotics control and law enforcement and that DOD needs to play a prominent role in the drug war.

While direct participation by DOD in law enforcement activities is still generally prohibited, the law allows the use of Navy ships and Air Force aircraft during collateral training/interdiction missions; loans of a variety of equipment, including weapons, night vision goggles, radars, and aircraft; and other assorted training, planning, and intelligence support.

The FY 1989 National Defense Authorization Act assigned the Secretary of Defense the following responsibilities:

(1) To serve as the single lead agency of the Federal government for detection and monitoring of aerial and maritime transit of illegal drugs into the United States;

(2) To integrate U.S. command, control, communications, and technical intelligence assets dedicated to drug interdiction into an effective communications network; and,

(3) To approve and fund State governors' plans for expanded use of the National Guard in support of drug interdiction and enforcement while in State status.

As the DOD begins integration of its military detection and monitoring efforts with those of the law enforcement agencies, the overall efficiency and effectiveness of aerial and maritime drug surveillance operations and the national drug interdiction effort as a whole will improve.

Question 2.

How fully were you involved in working this year with the Department of State during the certification process? Are there any plans to increase your involvement in the next cycle? What role will the State Department play in the national drug strategy?

Answer.

As you know, the President forwarded the list of "certified" countries to the Congress on 1 March 1989. Since I was not confirmed by the Senate until 10 March 1989, I was not involved with the Department of State or the President during this certification cycle.

Coincidental and critical to the "certification process" is the annual International Narcotics Control Strategy Report (INCSR) prepared by the State Department and submitted to the Congress pursuant to the Foreign Assistance Act of 1961 (Sec-481 [e]). The INCSR is the basis upon which the President makes his determination of certification and was submitted on 1 March 1989, along with the President's Statement of Certification.

However, the Mid-Year Update of the INCSR (Sec-481 [b][2]) will be due the week immediately preceding the date I will submit my National Drug Control Strategy to the President and the Congress. I plan to coordinate closely with the Department of State to ensure that the INCSR mid-year report will be consistent with the National Strategy I submit.

In the future, I plan to ensure that the National Drug Control Strategy and the International Narcotics Control Strategy Report are consistent, coordinated, and directed at achieving the goal of reducing the supply and use of drugs in the United States and abroad.

Question 3.

What plans are you considering in reference to "boot camps" as an alternative means of confinement for drug offenders? Can the military play a role in developing these boot camps?

Answer.

We are considering a proposal to send first-time drug offenders to boot camps where the offenders would receive both training and therapy. Boot camps can be a productive way to deal with the first-time offender. They are less expensive than jail; teach good lessons; and the recidivism rate is expected to be low.

We are analyzing how the boot camp idea can best be used. As you know, we are just in the midst of developing the National Drug Strategy, and the exact role for the military in boot camps is still under consideration.

Question 4

What is the status of your efforts to find a permanent and secure space for the location of your offices? Has the General Services Administration made any recommmendations?

Answer

We have worked closely with both the Office of Administration at the White House and with the General Services Administration to find permanent and secure office space. Currently, there is little or no space available within the White House complex to house an organization of our anticipated size. We have reviewed current available government office space with GSA, including the 10th floor of the Patrick Henry building, the Weather Bureau building, and Building #159 at the Washington Navy Yard, but these are not suitable. GSA has undertaken a market survey to determine options for future locations in commercial office space. We are evaluating the market survey at this time, and are trying to come to agreement with GSA on the amount of space required.

It appears that we will remain in our current location for the near future. The time involved for GSA to compete for a bid for commercial office space, negotiate the lease, design renovations, and complete renovations will require that we remain in this location for some time.

Question 5

Which agencies have plans to detail personnel to your office on a non-reimbursable basis? Are there agencies which are requesting your office to reimburse it for detailed personnel?

Answer

Currently, 16 agencies have detailed personnel to ONDCP on a non-reimbursable basis. They include the United States Information Agency, Federal Bureau of Investigation, United States Customs Service, Drug Enforcement Administration, United States Coast Guard, Immigration and Naturalization Service, White House Office of Policy Development, National Science Foundation, National Oceanic and Atmospheric Administration, Defense Intelligence Agency, Department of the Air Force, Department of the Army, and Department of the Navy. Three of the sixteen are intelligence gathering agencies.

The United States Information Agency has requested reimbursement for detailed personnel, as has the Executive Office of the President for personnel detailed from the Office of Policy Development and the Office of Management and Budget.

CONCLUSION OF HEARINGS

Senator DECONCINI. We have finished all of our hearings. The subcommittee will stand in recess, subject to the call of the Chair.

[Whereupon, at 4:05 p.m., Thursday, June 1, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the chair.]

NONDEPARTMENTAL WITNESSES

The following testimonies were received by the Subcommittee on the Treasury, Postal Service, and General Government for inclusion in the record.

The subcommittee requested that public witnesses provide written testimony because, given the Senate schedule and the number of subcommittee hearings with Department witnesses, there was not enough time to schedule separate hearings for nondepartmental witnesses.

STATEMENT OF ROBERT M. TOBIAS, NATIONAL PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION

I am Robert M. Tobias, National President of the National Treasury Employes Union. NTEU is the exclusive representative of over 130,000 Federal workers, including all employees of the U.S. Customs Service worldwide. I am accompanied by Patrick Smith, NTEU Director of Legislation, and Paul Suplizio, legislative consultant. I appreciate the opportunity to present our Union's views on the U.S. Customs Service authorization for FY 1990.

In four short years, America's debt to foreign countries will be more than a trillion dollars if we continue to run a massive trade deficit. Illegal imports are adding $40 billion a year to our trade bill. Another $25 billion is being lost through piracy of our intellectual property. This drain on our balance of payments will only stop when Customs is strong enough to bring this enormous fraud under control.

Our standard of living and control of our economic destiny are at peril unless we can demonstrate that our trade laws will be enforced. The new U.S.-Canada free trade agreement is an open invitation to third countries to gain access to our markets, because the FTA rules of origin are virtually unenforceable without adequate Inspectors. Import Specialists and regulatory auditors are inherently limited to paper checks, so what comes in has got to be looked at by Inspectors. Existing staff on the northern border are so overworked that it's a delusion to think that the FTA rule of origin can be enforced without significantly increased personnel. Unless Congress acts, Canada will become a way-station for transshipment of third-country products into the U.S. market.

Though enforcement is critical, Customs will never succeed if it envisions itself solely as a policeman. Through a spirit of service, being accessible to the importing community and answering their questions, Customs should promote a high degree of voluntary compliance with our trade laws. This will not happen until there are sufficient numbers of Inspectors and Import Specialists to serve the trade. We again urge this Subcommittee to establish in law a minimum standard of service that will require Customs to come to Congress for additional personnel to strengthen assistance to importers, which today is highly limited. Last year's amendment requiring timeliness and uniformity in issuance of binding rulings is an example of what can be accomplished when Congress acts.

Rising imports, new transportation technologies, global manufacturing, and just-in-time delivery schedules are enlarging the enormous gap between workload and available resources. As we meet, an undermanned Import Specialist team in Los Angeles is backlogged with six stacks of entries, each three feet high. Nearly 4 million containers are entering the country, 97 percent of them without inspection. Formal entries have more than doubled in the past nine years, while commercial operations staff increased only 13 percent. While Customs drug interdiction resources have been strenthened recently, they are still not on a par with the scope of the threat. No more than 50 percent of the heroin, 10 percent of the marijuana, and 20 percent of the cocaine destined for these shores is seized.

Congress must bring Customs workload and resources into better balance by authorizing additional positions for commercial operations and giving the agency the tools needed to attract and retain a young, vigorous, and highly skilled work force. We agree with the Administration's proposal for 396 additional Inspectors to examine containerized shipments; this will strengthen both commercial and narcotics enforcement. However, we disagree that these positions should be funded by cuts in commercial operations. NTEU's alternative budget restores $30.7 million of imprudent cuts made by OMB from the baseline needed to maintain current services (Table 1).

NTEU would go further to add 1,000 commercial operations positions, at a cost of $53 million, for a Customs Revenue Initiative that will return $900 million annually to the Treasury, or $2.7 billion over three years. The basis for this estimate was presented in last year's testimony, and will be furnished separately to the Sub-Committee. We recommend establishing a floor for Customs strength at 17,818 average positions to maintain the revenue initiative during FY 1990-1992. Needless to say, if Customs is held to last year's level under the Administration's flexible freeze, it would lose $37.9 million and 1,000 FTE, and the Treasury would lose more than $700 million from reduced compliance.

NTEU's revenue initiative is based on the fact that an estimated 70 percent of all formal entries filed with Customs, including a majority of dutiable entries and entries under sensitive trade programs that require special attention, are being bypassed under Customs' "entry summary selectivity" processing system. When it introduced the system last year, Customs established a criterion of $1,000,000 for bypassing entries, a sum which greatly exceeded thresholds of $20,000-$70,000 established by experienced Import Specialists when they were permitted to set bypass criteria locally. It is clear to Customs employees that a great deal of revenue is being lost by the high bypass rate and million dollar criterion, in addition to trade programs being circumvented by improper classification of merchandise that is not caught by Customs. Customs employees take strong issue with the million dollar criterion, which they see as an arbitrary means of increasing bypass, with potential loss of millions in Federal revenue. We strongly urge the Subcommittee to ask GAO to investigate the soundness of this criterion and its impact on the level of bypass and Federal revenue.

The professional expertise of its people is Customs' greatest asset. In recent years, that asset has badly eroded due to uncompetitive pay, an obsolete grade structure, and limited opportunities for training and career advancement. Attrition within Customs has increased 25 percent, from losses of 80 a month to 100 a month, and the Service is losing not only experienced hands but some of its best new recruits. Hiring and retraining replacements is costly and turnover corrodes the expertise needed to do an increasingly technical job. Occupations requiring youth and stamina -- Inspectors and Canine Enforcement Officers -- are not being rejuvenated by attracting and retaining enough top-flight young people.

Congress should take steps now to assure that Customs develops the highly skilled work force needed to enforce a body of increasingly complex trade laws in an increasingly technical environment. This Subcommittee should assist Customs in obtaining direct hire and special pay authority to enable it to compete with the private sector for high-quality recruits. We urge you to work with the other Committees of Congress to achieve independent personnel authority for Customs as soon as possible, so the Service will be directly responsible for setting the pay for and managing its human resources.

We urge the Subcommittee to provide an additional $25 million for training and require Customs to develop a training plan that encompasses technical training and advanced schooling as recognized components of career ladders within the Service. We envision this not only as a means of developing the skills the Service needs, but as a means of making careers attractive by creating opportunities for employees to grow in their jobs. According to the Hudson Institute's Civil Service 2000 report, the skills required for government jobs are advancing and competition for the limited supply of qualified people will intensify in the decade ahead; therefore, the government must invest in training to create the skills it requires. We urge Congress to begin now to improve the funding and emphasis on training in the Service.

Customs Inspectors, Patrol Officers, and Import Specialists are saddled with obsolete grade classifications that fail to recognize the increased technical complexity of Customs work and are contributing to high turnover and declining skill levels in these jobs. Congress should act promptly to raise the journeyman grade for Inspectors and Patrol Officers from GS-9 to GS-11, with appropriate higher grades for positions in these career fields with higher skills and responsibilities. Likewise, the journeyman level for Import Specialists should be upgraded from GS-11 to GS-12 and the grade for team leaders advanced from GS-12 to GS-13. The world has changed from the steamship era when only a few commodities moved in trade. Goods today are highly diverse, entry and release are automated to permit the orderly transit of large volumes of merchandise, and Customs employees must apply sophisticated techniques to discover contraband and identify non-compliant importers. The complexity of customs laws and regulations continues to grow. The reality is Customs presently cannot compete with the private sector for people with the requisite skills, and there is little hope for recruiting and retaining a competent corps of professionals in these occupations unless they are upgraded. We urge the Subcommittee to act in this matter as soon as possible.

It is strongly in the national interest that occupations within Customs that are physically demanding and hazardous should be staffed with a young and vigorous workforce. The job of controlling the nation's borders requires individuals with stamina who are armed and trained to encounter escaped felons, drug smugglers, and terrorists in performing their duties. Customs Inspectors and Canine Enforcement Officers have been stabbed, shot at, run over, and killed in line of duty. They carry weapons for self-protection in making arrests and physically subduing those who resist. They are assigned to isolated locations and must operate alone on night shifts. Experience has shown that the best way to make such careers attractive while rejuvenating the work force is to provide for retirement at age 50 with twenty years of service. NTEU supports legislation introduced by Congressman Al Swift (H.R.1083) and Senator Barbara Mikulski (S.513) to provide 20-year retirement for Customs Inspectors and Canine Enforcement Officers, and we urge the Subcommittee to support this legislation. Our inspector force is greying and only a small percentage of younger inspectors are staying after five years. If we do nothing, the corps of Customs Inspectors will be comprised of young, inexperienced recruits and Inspectors without the requisite stamina for the job. The only solution to maintaining an adequate number of experienced officers and a vigorous work force in these critical occupations is an up-and-out policy after twenty years.

In sum, Congress should pay urgent attention to the ability of Customs to compete for qualified people and sustain a highly skilled work force for the coming decade. The measures we recommend--independent personnel authority, higher entry-level pay, greatly augmented training, up-grading Inspector and Import Specialist positions, and 20-year retirement for Inspectors and Canine Enforcement Officers, are a dramatic departure from the past and will be difficult to achieve. But we believe these steps are essential if the billion dollars we spend on Customs each year is to be effective. We are re-learning every day the truth of the old adage, "you get what you pay for." A competent work force will not just happen. There must be better pay, training, and career opportunities; and we need to get on with the job.

Customs has notified NTEU of its intention to drastically reduce the number of inspectors assigned to passenger preclearance in Canada. Under this plan, staff will be reduced by 55 positions by October 1st, 1989 and by another 59 positions by October 1st, 1990. Since the current staffing level is 147 positions, only 36 inspectors would remain at the six Canadian preclearance sites on October 1st, 1990. The rationale we were given for the proposal was the need to strengthen the Southwest border. NTEU opposes this plan as being contrary to congressional policy and the mandate in Customs User Fee legislation that sevices be adequately provided to the airlines. As is well known, preclearance is funded by user fees, and has a record of contributing efficiently to air travel between our two countries. We have also objected that a long-term commitment was made to inspectors and their families to relocate themselves to a foreign country in furtherance of the Customs mission. The proposed reassignments will work severe hardship on these families. We strongly urge the Subcommittee to direct Customs to rescind actions already taken in furtherance of this plan, such as prohibiting tour extensions and issuing transfer orders to some inspectors, and to cease implementation at once. We request that the U.S. Customs authorization bill contain specific language to this effect.

Customs operations on the Southwest border need strengthening in both narcotics and commercial operations. Mexico is now a principal conduit for heroin, cocaine, and marijuana. The establishment by many U.S. and some foreign firms of "twin-plants" or maquiladoras in Mexico has vastly increased the scale of commercial truck traffic carrying the products of these plants to the U.S. There are now over 1,300 of these plants which make a valuable contribution to both the U.S. and Mexican economies. Many of the maquiladoras have tight shipping schedules to meet "just-in-time" inventory requirements in the states. They are eager for expedited entry and a smooth flow of traffic through the Customs cargo processing operation. There is no assurance, however, that such shipments are completely free of customs or narcotics violations. Consequently, the maquiladoras' commercial traffic will require enforcement checks and Customs has indicated that it will make such inspections. NTEU intends to closely monitor this situation to ensure adequate enforcement as well as expeditious cargo movement for reputable importers.

Controlling our country's borders is an enormous challenge, but for decades this task has been shared by two agencies, Customs and the Immigration and Naturalization Service. The Departments of Agriculture and Health and Human Services also have roles in border inspections, and while the agencies have generally established good working relationships, the system is obviously not as efficient as it could be if a single agency were assigned full responsibility for our borders. Recently, the General Accounting Office reiterated its view that responsibility for conducting primary inspections at our ports of entry be placed in a single agency. We agree, and we support the assignment of this mission to Customs because it is the agency best able to assume this important function and will not disrupt Customs ability to deal with the extensive commercial fraud and narcotics threats.

Moreover, INS is a beleaguered agency which has its hands full controlling the immigrant population within the U.S. A recent management review ordered by the Attorney General uncovered serious backlogs of case adjudications; granting citizenship without required background and fingerprint checks; ineffective safeguards for information, personnel and assets; inaccurate and unreliable data at all organizational levels on immigration reform applicants and fees colected; and granting waivers to hire into INS persons with pending trials for felonies, serious drug use allegations, multiple identities, multiple firearms violations, and employment histories in which they had been fired for incompetence and banned from Federal service. These considerations add weight to the proposition that the best solution to single-agency border management is to assign this role to the U.S. Customs Service.

Customs continues to contract out essential government functions under the A-76 program. Contract personnel are now serving as data entry clerks at several ports. We support saving the taxpayer's money but we are skeptical of the claimed savings when activities are contracted out. GAO's work in this area bears us out. Much of the savings are due to lower wages and benefits paid by contractors, but the savings evaporate when contractors insist on more money for tasks the government neglected to include in the scope of work. With respect to data entry clerks at ports such as J.F.K., there is no way of assuring the confidentiality of the information processed, or that an individual is not working for a dishonest broker. Our union cannot provide normal assistance to leased employees, nor protect them from verbal abuse or sexual harassment at the job site. The FY 1990 budget requires Customs to achieve savings of 129 staff-years and $1.1 million through contracting out, but we are skeptical of Customs' ability to do so. We urge this Subcommittee to include a provision in the FY 1990 authorization bill requiring Customs to make its A-76 studies and supporting documents available for public review a minimum of 90 days before requesting proposals to contract out an activity. We believe the public should be allowed to see these studies and judge for itself whether the proposed contract is beneficial or not.

Inspection and Control

NTEU continues to be concerned about the adequacy of the audit/inspection approach to enforcement in bonded warehouses and Foreign Trade Zones. When Customs changed from having on-site Inspectors to primary reliance on audits and spot-check inspections, it greatly reduced the number of staff-years for enforcement at these entities. NTEU remains convinced this was a mistake and an invitation to abuse. According to GAO, a Customs official responsible for in-bond operations estimates that about 40 percent of all imported cargo is shipped in-bond (IMTEC 89-4BR). A large quantity of imports destined for the U.S. market likewise passes through Foreign Trade Zones. The Unfair Trade Practices hearings held in 1986 uncovered evidence of abuse. The audit/inspection approach has been in place for five years, and its effectiveness should be evaluated without further delay. We urge the Subcommittee to assign this task to GAO.

At major international airports, Customs introduced four years ago a passenger clearance system known as Red/Green. The theory behind this system, which Customs seems to be touting as the wave of the future, is that by giving passengers the opportunity to self-select either the green lane (no Customs items to declare) or the red lane, passenger facilitation is improved without reducing enforcement. The system is augmented by roving Inspectors who monitor passengers both in primary lanes and baggage areas, and who may designate individuals for immediate clearance or for detailed secondary inspection. For the Red/Green system to work, there must be adequately staffed primary lanes and an adequately staffed secondary. There must be sufficient numbers of Inspectors in both red and green lanes, and an adequate number of roving inspectors.

To operate such a system with an insufficient number of Inspectors, an inadequate secondary, a few rovers, and a handful of green lanes where passengers are whisked through with only cursory examination, is simply ineffective enforcement. Customs management is putting passengers on the honor system by inadequate primary and secondary inspection because it is the answer to clearing the terminal before the next wide-body jet comes in. The only solution to adequate facilitation and enforcement is to provide sufficient staff, and utilize an effective inspectional system. The Red/Green system has been tested for five years, and Inspectors are convinced it is not as effective as the citizen bypass, one-stop, or even the two-stop system formerly used. This is because putting all available resources into an adequately staffed primary and secondary to properly screen passengers and identify those for intensive examination, is the right way to do the job.

NTEU has frequently called attention to the deplorable working conditions of Inspectors on the Southwest border. Inspectors must work in primitive facilities enveloped with noxious fumes, and try to accomodate staggering workloads in congested space. NTEU has strongly urged Congress to remedy this situation, and in the FY 1988 Continuing Resolution Congress appropriated to the General Services Administration building fund $28.6 million for capital improvements of U.S./Mexico border facilities. Table 6 provides a list of these projects. Customs and GSA are moving ahead with construction preparations and NTEU intends to monitor events closely to assure that these urgently needed projects are completed without delay.

Inspectional overtime is a critical resource for meeting Customs' growing demands for clearance of passengers and cargo. For nearly a decade, a virtually static inspectional force has had to process a growing number of air travelers and cargo shipments. With its workforce limited by OMB personnel ceilings, Customs inspectional overtime has expanded to fill the gap between workload and resources. The amount of inspectional overtime is driven by the carriers' demand for inspectional services outside the normal duty hours of the port. Customs is reimbursed for the cost of such services from the Customs User Fee Account. Since overtime costs are now borne by all carriers rather than the individual carrier requesting service, we anticipate that demand for overtime services will rise as individual carriers request services that they are no longer billed for.

An Inspector with overtime earnings of $15,000-$20,000 a year works an average of 62 hours a week, 52 weeks a year. A 1981 Customs study of overtime showed that, in addition to a normal 40-hour week, the average Inspector is required to work three of every four Sundays, one Saturday per month, and seven week-day overtime assignments per month. For Inspectors to make themselves available such long hours, particularly on Sundays and holidays when other citizens are taking the day off, adequate monetary incentive must be provided. The most recent data collected by Customs shows that Inspectors are earning, on average, 2.1 times the regular rate of pay on Sundays and 2.4 times the regular rate on the other days of the week. Customs' study attributes the 2.4 rate of pay to the call-back of Inspectors who have left the worksite. Call-backs frequently occur at night and at irregular hours. The Customs study also showed that the average Inspector works 7 hours on each Sunday assignment, and an average of 8 hours if holidays are included in this figure.

We are convinced that the frequent call-backs, the late-night hours, and the physically demanding nature of inspectional duties justifies the present rate of pay. Moreover, these rates of pay conform with the prevailing overtime rates in the private sector, which normally establishes double time premiums for call-back and night work, and where typical practice is triple time for Sunday overtime and double time and one-half for holiday work. These factors were established in the OPM Premium Pay Study conducted in 1983.

From FY 1977 to FY 1987 the number of air passenger arrivals increased 80 percent while the number of Customs Inspectors increased 29 percent. In the Northeast Region the number of air passenger arrivals increased 50 percent, while the number of Customs Inspectors declined by 28 percent. The current $25,000 cap on overtime earnings has not been changed for five years and many Inspectors at larger airports and the Southwest border are beginning to "cap out" in the fourth quarter of the year. A total of 961 Inspectors were near to exceeding the cap in 1988, compared to 266 in 1985. Because higher-graded, more experienced employees cap out earlier in the year, the Inspectors working overtime are less experienced and less able to handle unusual occurences. For example, on Sunday, September 25, 1988 the Miami inspector staff working overtime included 27 temporaries and 8 trainees out of 53 assigned. This compares to only two such lower-graded personnel assigned on a typical Sunday four months earlier. Many Southwest border ports, such as Port Arthur, El Paso, Houston, Freeport and Corpus Christi are having a difficult time due to the number of Inspectors capping out.

Uniform costs have risen sharply for uniformed Customs officers since 1984, while the uniform allowance has remained unchanged. Some examples from the male uniform price list are:

	Price 1984	Price 1989	% Change
Dress Shirt	12.00	17.30	+44%
Utility Jacket	26.50	37.55	+42%
Utility Trousers	17.50	24.50	+40%
Shirt, Long Sleeve	12.00	17.55	+46%
Mobile Jacket	93.00	134.70	+42%

Uniformed Customs employees are bearing the financial cost of rising clothing prices, and an immediate increase in the uniform allowance is called for. We request the Subcommittee's assistance in remedying this situation as soon as possible.

Because of the rise in violent incidents committed against Customs Inspectors, these officers are now armed for self-protection and expected to maintain weapons qualification. Inspectors are required to carry the standard issue CS-1 Smith & Wesson .357 Magnum at all times, and the option to carry a personal sidearm has been taken away. Customs continues to raise the standard for qualification and has recently raised the qualifying score from 240 to 250--one of the highest, if not the highest--weapons qualification standards in the Federal service. Inspectors must qualify annually, and failure to qualify will result in assignment to non-inspectional duties, which can severely retard an officer's career. Formerly, Inspectors were allowed three practice sessions a year on a firing range rented at Customs' expense. However, recently Customs announced a change in policy and will no longer assume the cost of practice. Instead, Inspectors are to be issued practice rounds and are required to arrange for practice at their own expense. NTEU believes requiring Inspectors to arrange their own practice and bear the expense is unfair, especially in view of the rigorous qualifying standard. The requirement to use the CS-1 instead of a personal sidearm is also unfair, as some Inspectors have been using such personal weapons for years, and particularly, those over age 55 are better able to protect themselves with weapons they are accustomed to. Accordingly, we strongly urge Congress to require Customs to bear the expense of three practice sessions a year to maintain weapons qualification, and to restore the option of allowing Inspectors to qualify with and use a personal sidearm of choice in lieu of the CS-1.

Commercial Operations

The commercial fraud threat projected by Customs for FY 1989 is $14 billion, of which $12 billion consists of illegal entry of counterfeit goods and the remainder consists of goods entering in violation of steel, textile and other trade program requirements. Customs has not officially estimated the volume of illegal merchandise entering undetected due to inadequate inspection, but an internal document estimates such goods amount to $25 billion annually. GAO and our own investigations support the conclusion that much illegal merchandise is getting past Customs. GAO report 86-136, which examined the adequacy of commercial cargo inspections, found that Inspectors generally were not counting quantity or verifying weight when they check shipments, and that most container inspections consisted of cursory tail-gate examinations. The huge workload puts extreme pressure on Inspectors to move shipments expeditiously.

Another GAO report, NSIAD 86-96, found protection of U.S. intellectual property rights through enforcement of trademark and copyright recordations and Section 337 exclusion orders to be inadequate. Nearly 80 percent of the firms who recorded their trademarks and copyrights with Customs, and over 65 percent of the firms who had obtained ITC exclusion orders, said that counterfeit and infringing goods continued to enter the marketplace despite these safeguards. GAO attributed this in part to the fact that only two percent of the shipments entering the country are being physically examined. Enforcement is further exacerbated by inadequate numbers of Import Specialists and the high rate of entry bypass. According to a recent International Trade Commission study, violations of U.S.

intellectual property rights are costing U.S. firms more than $40 billion in lost exports, domestic sales, and royalties. Customs admits that $12 billion in counterfeit imports are entering the U.S. market annually. At present, the burden of intellectual property protection has fallen largely on the private sector. Customs can do a better job because it controls the ports of entry through which counterfeit imports flow. However, Customs has not to our knowledge evaluated the effectiveness of its methods, nor determined the staff required to do an effective job in enforcing the intellectual property protections provided by law. We strongly urge this Subcommittee to require Customs to prepare a 5-year plan to establish an effective level of enforcement, together with the resource requirements needed to implement such plan, and require GAO to evaluate such plan prior to its submission to Congress.

Trade-sensitive entries requiring greater attention by Import Specialists (such as those involving quantitative restraints, collection of dumping duties, or enforcement of other agency requirements, rules of origin, or intellectual property rights) have more than doubled in recent years, and are becoming an increasing proportion of total entries. Between 1982 and 1989, formal entries increased 96 percent, while trade program entries increased 158 percent. Trade program entries today comprise 56 percent of total entries (Table 5). About half of these entries are reviewed at the present time, the remainder being bypassed. Since trade program entries involve sensitive national interests, NTEU believes that Import Specialists should review 100 percent of these entries. We urge the Subcommittee to require Customs, in conjunction with GAO, to prepare a plan to achieve this goal. The plan should include a statement of resource needs and the beneficial results anticipated from strengthened enforcement of sensitive trade programs.

In its budget submission, Customs attributes its increasingly complex workload to a long list of trade agreements, including--"the International Coffee Agreement, EC Pasta Agreement, Tungsten Agreement, Softwood Lumber Agreement with Canada; Voluntary Restraint Agreements with 29 countries for steel and two countries for machine tools; textile visa agreements with 34 countries; import restraint levels on textiles from 43 countries; import restraint levels on various dairy products, steel, chocolate, meat, fish, broomcorn, pasta, and peanuts; trade sanctions on Brazil, EC, and Japan, as well as individual companies like Toshiba of Japan; and monitoring programs on semiconductors from Japan."

A competent corps of commodity specialists must be highly skilled. Implementation of the Harmonized System, last year's new trade legislation, and the U.S.-Canada Free Trade Area will impose new burdens on Import Specialists. In earlier times, most entry processing could follow a standard format. Today, Import Specialists are confronted with a broad array of rulings, special duties, exclusion orders, restraint agreements, and other agency requirements. Increasingly, rules of origin are expressed in terms of processing costs or value-added, requiring familiarity with cost accounting, translation of exchange rates, and complex numerical computations. Processing GSP, CBI, and Item 807 entries now requires such skills, and the need will increase as global manufacturing and bilateral trade arrangements become more common. Instead of allowing Import Specialist skills to be diluted by working multiple product lines, Customs should promote commodity expertise in a single line and actively support the professional development of its Import Specialists.

Customs has automated entry acceptance through the Automated Broker Interface (ABI). However, once entries are designated for review through the entry summary selectivity module, Import Specialists must work with hard copy in a manual environment. Hence they remain mired in paperwork, Automating simple tasks such as ready access to current and past exchange rates, cost and price information, and past entry summary data would reduce processing times and yield better-informed decisions. If Import Specialists had the ability to review entry data on computer terminals, they could dispense with hard copy except where necessary to verify the authenticity of a certificate, license, visa, or similar document required by regulations. Electronically accessible data on customs regulations and rulings would speed up review and stimulate greater uniformity of decisions. Improved communications between Import Specialists and 'Inspectors would make examinations more productive and yield better-informed classification and admissibility decisions. Customs needs to place a higher priority on giving Import Specialists the modern tools they need to do their job.

As a result of our proliferating trade laws and the myriads of new products in international trade, Customs is beseiged by requests for advice and assistance from importers. Through visits to importers' premises, line review of entries prior to filing, and answering questions concerning application of trade laws and regulations, Import Specialists can help sustain a high degree of voluntary compliance with the customs laws. But today they remain largely inaccessible, available on the phone or by appointment during restricted hours and after lengthy delays due to their small numbers and large workload. To our knowledge, Customs has never taken stock of the staff-years required to meet the demand for importer assistance. We believe the Subcommittee should direct Customs, in conjunction with GAO, to measure this demand and determine the Import Specialist staff requirement to meet it. In the meantime, the Subcommittee should direct Customs to employ a reasonable amount--say, 20 percent--of Import Specialist staff years to provide importer assistance.

As a result of the Packwood Amendment enacted last year to assure greater uniformity and speed in issuing binding rulings, Customs has instituted a new program that will improve responsiveness to importers' requests. Customs has also launched a pre-clearance program, a form of line review that has been sorely lacking and will increase assistance to importers. These programs will not succeed unless they are adequately supported with staff resources. Under the binding ruling program, senior import specialists in the field are designated, on a voluntary basis, as Deputy National Import Specialists (DNIS). In this capacity, they prepare binding rulings under the supervision of a National

Import Specialist in New York. DNIS are supposed to use 25 percent of their time in this role, but as one put it, "I still have 100 percent of my job to do." These new programs are a step in the right direction, made possible by 640 new positions provided by Congress last year. But Customs still needs more Import Specialists to reduce the rate of bypass and increase their accessibility and assistance to importers.

We request the Subcommittee to initiate a review of Customs' Project 6000, which according to GAO is aimed at collecting about 15,000 unpaid fines and penalties totaling over $500 million (GGD 88-74). If this amount is truly backlogged in the Fines, Penalties, and Forfeitures offices throughout Customs, prompt action should be taken to step up collections. If additional staff are required, they should be provided, for speeding up collections is an additional avenue to obtaining needed revenue to reduce the Federal deficit.

Automated Commercial System

NTEU has from the outset strongly supported automation leading to a more efficient and effective Customs Service. Customs employees must be given modern tools needed to do their jobs. The result will be greater efficiency and a more humane work place. Customs has spent $170 million on a major automation effort, the Automated Commercial System (ACS) since 1983, and plans to spend an additional $150 million on the system over the next five years. What can Customs show for this effort? We believe management made plenty of mistakes, most of which could have been avoided if they had consulted with employees and the trade community.

A fundamental error that Customs management stubbornly persists in is using ACS to scale the workload to the size of the staff. Customs' philosophy is that since there aren't sufficient resources to handle the workload, they'll cut the workload down to size. Scaling back the workload was disguised in jargon like "automation" and "selectivity". But in reality Customs programmed its computers to limit the number of shipments to be inspected and the number of entries to be reviewed to the staff available, the remainder being bypassed. Customs could and should have adopted a contrary philosophy. It could have determined the minimum number of checks needed to maintain enforcement. And it could have asked Congress for the staff required to do the job.

Because management was determined to use the computer as a tool to facilitate bypass of workload it couldn't handle, thereby avoiding bottlenecks on the docks and screams from importers, Customs arranged ACS so the computer's decisions would not, for the most part, be overridden. The computer, making its decisions on imperfect or non-existent criteria, drove the work force instead of being a tool for the work force to use. In cargo selectivity, Inspectors were required to perform certain exams of first-time importers and enter the results in the computer. Unable to keep up with the inspections required, many Inspectors falsely reported that they had conducted the exams and found no discrepancies. These points were confirmed by GAO (IMTEC 89-4BR). Likewise, in entry summary selectivity, districts are forbidden to override for more than sixty days the national criterion that bypasses entries valued under $1 million, even if they think there are problems with entries of lesser value.

The rule "garbage-in, garbage-out", applies to these efforts. Customs is a long way from gathering the data needed to formulate adequate selection criteria in either the cargo processing or entry summary areas. GAO has pointed out in two studies (GGD 86-136 and IMTEC 89-4BR) that Customs has retrieved virtually no useful data from inspections it performs that would enable it to profile high-risk shipments. In fact, examination history files now in the computer contain false and inaccurate data.

The Automated Broker Interface (ABI) module is now processing 65 percent of all entries. ABI could have tremendous potential if it were designed to give Import Specialists a tool to review entries and develop bypass criteria. The promulgation of national criteria under entry summary selectivity has nipped in the bud countless promising efforts to develop sound bypass criteria locally. Under ABI Import Specialists have little say in which entries will be reviewed. The bypassed entries, of course, are accepted as entered, which means the classification of the article, its valuation, and determination of its admissibility are on the honor system. The foreign trade statistics of our country are hostage to this honor system because the designers of ACS have not built in adequate checks by Import Specialists.

Mr. Chairman, this completes my testimony. I shall be happy to answer any questions.

TABLE 1

U.S. CUSTOMS SERVICE FY 1990 BUDGET REQUEST AND NTEU RECOMMENDATION
SALARIES AND EXPENSES

(Amounts in Thousands of Dollars)

	FY 90 BUDGET REQUEST		NTEU RECOMMENDED ADDITION		NTEU RECOMMENDED AUTHORIZATION	
	Amount	Average Positions	Amount	Average Positions	Amount	Average Positions
Inspection and Control	118,826	2,115	+650(a)	--	119,476	2,115
Tactical Interdiction	128,640	2,631	+996(a)	--	129,636	2,631
Investigations	147,900	1,687	+724(a)	--	148,624	1,687
Commercial Operations	626,124	9,989	+30,697(a) +53,030(b)	+ 396(a) +1,000(b)	709,851	11,385
Total	1,021,490	16,422	+86,097	+1,396	1,107,587	17,818

(a) These amounts are required to maintain current service levels while adding 396 positions for the containerized cargo enforcement initiative proposed in the Administration's budget. The amounts are determined from p.5 of the congressional budget submission by restoring cuts for automated commercial system, productivity savings, A-76 savings, FTE shortfall, and absorption to offset January 1989 pay raise.

(b) $53 million and 1,000 positions are recommended by NTEU for a Customs revenue initiative commencing in FY 1990 that will return $900 million annually in additional revenue to the Treasury, or $2.7 billion over the next 3 years.

TABLE 2

U.S. CUSTOMS SERVICE
Average Positions
by Category
FY 1978 - 1990

Fiscal Year	Inspectors	Import Specialists	Patrol Officers	Special Agents	Total Customs
1978	4,077	1,207	1,251	600	13,854
1979	4,174	1,236	1,211	577	14,061
1980	4,165	1,219	1,231	604	13,820
1981	4,379	1,165	1,332	597	13,316
1982	3,987	1,081			12,924
1983	4,122	1,027	1,134	701	12,898
1984	4,289	1,042	1,246	932	13,319
1985	4,262	974	1,236	925	13,042
1986	4,305	927	1,072	982	13,059
1987	4,386	966	923	1,166	13,971
1988	4,609	1,000	1,026	1,512	15,294
1989 (AUTH)	5,280	1,185	1,147	1,592	16,739
1990 (ADMIN)	5,618	1,185	1,147	1,428	16,422*

Source: U.S. Customs Service Budgets

*317 positions transferred to Justice and Treasury in a reorganization of Drug and Internal Security Functions

TABLE 3

INSPECTIONS OF CONTAINERIZED SHIPMENTS

FY 1980-FY 1986

	Containerized Shipments (000)	Container Inspections[1]	% Inspected	Fully Unstuffed and Stripped Inspections	%
1980	2,800	192,734	6.8	81,234	2.9
1981	3,100	215,805	7.0		
1982	2,738	186,800	6.8		
1983	2,949	112,843	3.8	21,000	0.9
1984	3,570	93,047	2.6		
1985	3,356	95,000	2.8		
1986	3,482	98,000	2.8		
1987	3,631				

[1] Mainly Tailgate Exams

Source: U.S. Customs Service

TABLE 4

MERCHANDISE ENTRIES AND COMMERCIAL OPERATIONS POSITIONS

FY 1980-1989

		Commercial Operations Positions (FTE)		
Fiscal Year	Formal Entries (000)	Cargo Inspection Positions	Commercial Investigations & Classification & Value Positions	Total
1980	4,374	5,108	4,082	9,190
1981	4,588	5,102	3,837	8,939
1982	4,703	4,693	3,748	8,441
1983	5,314	4,830	3,595	8,425
1984	6,421	4,842	3,541	8,383
1985	6,823	4,853	3,197	8,050
1986	7,251	5,087	3,678	8,765
1987	8,023	5,290	3,710	9,000
1988	8,878	5,802	3,725	9,527
1989	9,325	6,551	3,892	10,443

NOTES:

1. Between FY 1980 & 1989, formal entries increased 113%; total commercial operations staff increased 13%.

SOURCE: U.S. CUSTOMS SERVICE data.

TABLE 5

TRADE PROGRAM AND DUTIABLE ENTRIES COMPARED TO ENTRIES REVIEWED BY IMPORT SPECIALISTS

FY 1982-1989

FISCAL YEAR	TOTAL FORMAL ENTRIES (000)	DUTIABLE ENTRIES (000)	TRADE PROGRAM ENTRIES (000)[1]	BY-PASS RATE[2]	ENTRIES REVIEWED (NOT BY-PASSED) (000)
1982	4,753	3,148	2,025	35	3,089
1983	5,314	3,565	2,185	50	2,657
1984	6,421	4,402	3,624	60	2,568
1985	6,823	4,743	3,697	62	2,593
1986	7,251	5,076	4,045	65	2,538
1987	8,023	5,445	4,460	70 (est.)	2,407
1988	8,878	6,215 (est.)	4,972 (est.)	70 (est.)	2,479
1989	9,325	6,528 (est.)	5,222 (est.)	70 (est.)	2,798

1. Trade program entries include quota and monitored, GSP, antidumping, countervailing duty, steel program, and other agency entries.

2. This is the percentage of entries not designated for Import Specialist review. By-pass procedures were established by Customs because entry growth exceeded staff capability.

Table 6

Capital Improvements of United States-Mexico Border Facilities: FY 1988 Appropriation

Nogales, AZ

Mariposa	$174,330
Grand Ave.	$375,310
Morley Gate	$64,000

Calexico,CA

New Station	$1,000,000
New Dock/Office	$411,320
R&A	$274,430

El Paso, TX

Ysleta	$2,651,320
Bridge ofthe Americas	$442,200
Paso del Norte	$2,850,000

Laredo, TX

Juarez-Lincoln Bridge	$5,745,000
Replace RR Bldg.	$118,000
Convent Street	$151,710

Brownsville, TX

Security	$14,661
Expand Lanes	$46,135
R&A	$67,204
B&M Bridge	$1,173,000
Los Indios Bridge	$510,000

San Ysidro/Otay Mesa, CA

Virginia Street	$75,000
Safety Work	$1,601,000
R&A	$612,000
Improve Commercial Lot	$456,950
Firearms Range	$350,000
Reconfigure Lanes	$310,000
Signs/Security	$517,000

Andrade, CA	$143,000
Antelope Wells, NM	$14,000
Columbus, NM	$100,000
Fabens, TX	$100,000
Fort Hancock, TX	$100,000
Lukeville, AZ	$148,000
Marathon, TX	$50,000
Naco, AZ	$65,000
Presidio, TX	$100,000
Progresso, TX	$100,000
Roma, TX	$100,000
San Luis, AZ	$79,000

Del Rio, TX

Expand Lanes	$270,000
Security	$250,000
Replace Stations	$3,640,000

Los Ebanos, TX	$520,000
Douglas, AZ	$228,000
Eagle Pass, TX	$480,000
Rio Grande City, TX	$510,000
Tecate, CA	$338,000
Hildago, TX	$289,510
Falcon Dam, TX	$400,000
Santa Teresa, NM	$663,000

TOTAL	$28,678,080

STATEMENT OF DONALD H. PETERSON, GENERAL MANAGER, WORKSHOPS FOR THE BLIND

INTRODUCTION

Mr. Chairman, members of the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government, my name is Don Peterson. I am the General Manager of Arizona Industries for the Blind (AIB), having served in this position for almost ten years. Previously, I was the Executive Director of Garden Park Enterprises. I am also a member of the General Council of Workshops for the Blind (General Council).

I appreciate the opportunity to discuss with you the General Council of Workshops for the Blind, the operations of AIB, and the need for increased funding for the Committee for Purchase from the Blind and Other Severely Handicapped. As background, the General Council is composed of 84 rehabilitation facilities which operate 108 industrial employment programs throughout the United States, the District of Columbia, and Puerto Rico. Most of these facilities are qualified to produce commodities or provide services to the Federal government as authorized by the Javits-Wagner-O'Day (JWOD) Act and each is associated with National Industries for the Blind (NIB), the central nonprofit agency representing workshops for the blind. During Fiscal Year 1988, these facilities provided special employment for approximately 6500 blind and multihandicapped blind people. About one half of the blind people served by these facilities are multihandicapped blind individuals having one or more disabilities in addition to blindness. The JWOD Act has been a major factor in providing employment opportunities for a targeted group of blind and multihandicapped blind people who without this program would have had few, if any, employment options.

ARIZONA INDUSTRIES FOR THE BLIND

Arizona Industries for the Blind is an NIB associated agency for the blind qualified to participate in the JWOD program. As a state operated rehabilitation facility, AIB is located within the Department of Economic Security and provides a continuum of employment and rehabilitation services to legally blind Arizonans. Three major programs serve as the vehicle through which AIB accomplishes its employment and rehabilitation goals. The Rehabilitation Services Unit provides vocational evaluation, work adjustment and job placement. During Fiscal Year 1988, 184 program participants received services in the Rehabilitation Services Unit. Currently, thirty four multihandicapped blind people are employed performing various subcontract and government work. Over thirty program participants were placed in competitive employment.

The Production Services Unit provides employment and training opportunities through an industrial workshop. Fifty legally blind people are currently employed in the Production Services Unit. They are responsible for the manufacturing of automotive safety belts, metal bookends, litters, and household goods such as mops, pillowcases, aprons, ironing board covers, dishcloths and washcloths. Gross sales last year were 4.3 million dollars.

Blind workers are fully trained in the skills required to manufacture these products. Workers receive wages commensurate with the job, plus fringe benefits comparable to those in private industry. Production workers also have continuing job placement opportunities, as their acquired skills enable them to qualify for employment in the private sector job market.

Part of the Production Services Unit also serves as distributor for other NIB associated agencies for the blind. In this capacity, we maintain a warehouse with a large inventory to fill orders from Federal and State agencies and military commissaries. This part of the business requires maintenance personnel, as well as clerical and office employees.

The Optical Services Unit is the third major program. This unit consists of a full service optical lab which we refer to as Handilab. Handilab is a non-traditional employment program which provides jobs for six legally blind individuals. Weekly eye clinics and fabrication of eyeware from lens and frame stock are services provided through the program. We are also capable of providing numerous eyeware "add on's" such as ultraviolet filters, tinting, hardening and scratch resistant coatings. Eyeware manufactured through the Handilab program is distributed to local nursing homes, to the Arizona State Prison, and to the general public. Handilab is a unique job program which continues to demonstrate the abilities of blind people.

INCREASED FUNDING FOR THE COMMITTEE FOR PURCHASE FROM THE BLIND AND OTHER SEVERELY HANDICAPPED

The Committee for Purchase from the Blind and Other Severely Handicapped (CPBOSH) is the Federal agency which administers the program established by the Javits-Wagner-O'Day Act. CPBOSH is comprised of fifteen Presidentially-appointed members. For Fiscal Year 1989, CPBOSH was authorized an appropriation of $862,000. By any standards, CPBOSH is a small Federal agency operating within a modest budget. However, CPBOSH plays a vital role in ensuring employment opportunities for this nation's blind and severely handicapped citizens. The outstanding work performed by CPBOSH is evidenced by the agency's ability to administer a program that provides employment to over 16,700 blind and severely handicapped people who participated in the JWOD program during Fiscal Year 1988. The Committee for Purchase from the Blind and Other Severely Handicapped has as some of its primary responsibilities to determine:

-Workshop qualifications to participate in the JWOD program

-Suitability of items to be added to the Procurement List

-Workshop capability and capacity to produce an item

-Workshop compliance with Federal regulations

-Fair market price of an item, including semiannual price adjustments

-Potential industry impact on the current or most recent competitive supplier of new additions proposed to the Procurement List

The daily on-going work of the Committee for Purchase from the Blind and Other Severely Handicapped is carried out by a full-time staff of thirteen individuals. The CPBOSH staff has increased only once (from 12 to 13 people) since it was established in 1971.

In recent years, the workload of CPBOSH has expanded tremendously (even with the diminished growth to the program which occurred last year). The expanded workload is largely due to an increased number of workshops participating in the JWOD program and addition of more commodities, as well as services, to the Procurement List. The Procurement List is an annually published booklet which lists the items manufactured and services provided by qualified JWOD participating workshops.

Under CPBOSH's direction during Fiscal Year 1988, an additional 123 services and commodities were added to the Procurement List representing an estimated $29 million in annual sales to the government. Almost 800 additional jobs were provided to blind and severely handicapped individuals during Fiscal Year 1988. Thirty-four workshops became qualified to participate in the JWOD program. It should be noted, however, that total workshop sales to the Federal government increased slightly from $328 million in FY1987 to $331 million in FY1988.

Coupled with the growth of the program, there have been Federal procurement policy changes and tighter Federal budget restrictions which impact the operations of CPBOSH and the broader JWOD program. The General Council feels that the new Federal purchasing practices have been established without regard to their possible impact on mandatory procurement programs, such as JWOD. These changes could result in a reduction in current sales, as well as in future purchases.

We are all aware of Federal budget constraints, particularly for the Department of Defense. With the Defense Department being one of the major purchasers of products and services under the JWOD program, budget constraints naturally lessen the Department's ability to procure products and services.

In the past, those of us involved in the JWOD program have been relatively content because the program evidenced steady growth. Now we are realizing that perhaps we should have placed more emphasis on advocacy and on marketing the JWOD program. This would have created a more visible program and more familiarity and understanding about the program among Federal procurement staff. In turn, this would have ensured that changes in procurement policy would have occurred with concommitant consideration for the JWOD program.

To confront the possibility of losing current and future government purchases, as well as to continue the goal to employ blind and other severely handicapped people, the Committee for Purchase from the Blind and Other Severely Handicapped is developing an educational/promotional program. This educational/promotional program would be aimed at Federal policy makers, procurement staff, government officials, and other targeted individuals and organizations. A number of initiatives have been started, while others are being planned. These include:

- Expanded distribution of the Procurement List, to include availability on the government computer system.

- Development of an easy-to-read manual on the JWOD process.

- Survey of selected procuring activities to determine program effectiveness or analysis of suitability of current JWOD product line for government usage.

- Having a products display on Capitol Hill to demonstrate the range and types of commodities made by blind and other severely handicapped people.

- Development of videotapes on JWOD contracting procedures or on how blind and severely handicapped people have benefitted from the program. These would have multiple audiences, including viewings at Federal procurement courses.

- Marketing of selected JWOD products at the Congressional Office Stationary Store.

This is a small sample of the variety of activities being developed by CPBOSH to promote the JWOD program. Some of these educational/promotional initiatives have limited costs, while others would require substantial data collection and financing in order to prepare materials and resources to adequately improve and to demonstrate program effectiveness.

The General Council of Workshops for the Blind recommends an appropriation of $1,062,000 for the Committee for Purchase from the Blind and Other Severely Handicapped. This amount reflects $125,000 over the $937,000 recommended in the Reagan budget for Fiscal Year 1990. This additional funding will assist CPBOSH in carrying out its educational/promotional program, will support added staff, will provide funds for some research endeavors and will supplement travel expenses.

Primarily, however, CPBOSH's educational initiatives for Fiscal Year 1989 and 1990 will make more individuals aware that the JWOD program is a preferential procurement program, will increase program effectiveness and sales, and will provide more employment opportunities to blind and other severely handicapped people. The latter is the foremost reason for increasing CPBOSH's funds to ensure that blind and other severely handicapped people currently employed through the program continue to work and to encourage expanded employment for those seeking jobs. With two-thirds of the disabled population unemployed, there is a critical need to provide employment opportunities, such as those available through the JWOD program.

The JWOD program is needed as much today as it was over fifty years ago when Congress first recognized the need to provide a stable market for blind-made products. The JWOD program provides good, steady, remunerative employment to blind and other severely handicapped individuals, many of whom would be added to the ranks of the unemployed if not for the job opportunities made possible through the JWOD Act. Our ability to provide these jobs has been hindered in recent years and will continue to be a challenge if the Committee for Purchase from the Blind and Other Severely Handicapped is not adequately funded.

CONCLUSION

The basic philosophy of Arizona Industries for the blind is "most blind people of working age can compete for a good job...if they're given the opportunity to develop skills and increase their self-confidence...". Viable employment opportunities through the JWOD program can aid AIB and the General Council of Workshops for the Blind to abide by this philosophy. It is important that those of us involved in the JWOD program take some immediate action to ensure that the JWOD program is known and recognized as a preferential procurement program and that changes in Federal procurement policy do not adversely impact the program. Otherwise, we will continue to see declining sales and fewer job opportunities for blind and disabled workers.

Unlike many other agencies for the blind participating in the JWOD program, AIB's overall sales to the government did not decrease last year. Our overall sales increased because there were increased orders of one contract which generates over 30 percent of the program's total sales. We did, however, have to layoff twenty-one blind workers because of decreased sales to the Federal government in the textile area. This was the first time in fifteen years that AIB has had to layoff any employees. I feel that these decreased sales have occurred because of a variety of factors including a decrease in government orders, last year's moratorium on purchasing by the Department of

Defense, along with other Federal procurement changes and budget constraints.

The Committee for Purchase from the Blind and Other Severely Handicapped as the Federal administrative agency should be at the helm in launching an advocacy program to encounter these problems and to ensure program effectiveness. The General Council of Workshops for the Blind applauds the educational/promotional initiatives of CPBOSH and we will fully support their efforts. However, CPBOSH will need additional funds to fully carry out their initiatives. Without some type of educational programs, the JWOD program will continue to have low visibility within the Federal government. The biggest loss will be felt by the blind and other severely handicapped people who might lose their jobs or for whom jobs will be less available in the future. With the unemployment rate so high for blind and disabled Americans, it is clear that the opportunities provided by the JWOD Act are very much needed.

I am well aware of the shortfall of money available to fund the many agencies within the Federal government. I know that some agency budgets are being reduced, while others are being maintained at FY88 levels. However, JWOD is a job program which employs a large number of people who would otherwise be part of the ranks of the unemployed requiring substantial Federal assistance. Funds to CPBOSH enable the agency to better carry out its responsibilities and, in turn, encourage more sales which augment employment opportunities to blind and disabled individuals. Workers actually return money to the U.S. Treasury in the form of taxes and employee and employer Social Security payments, as well as minimizing their dependence on Federal assistance. More importantly, blind and disabled people who work develop a greater sense of dignity and self-worth. They are able to hold their heads up high in their community and have a greater sense of accomplishment and self-esteem.

Thank you for allowing me the opportunity to make these remarks. I hope that you will favorably consider the request of granting the Committee for Purchase from the Blind and Other Severely Handicapped an appropriation of $1,062,000 for Fiscal Year 1990.

STATEMENT OF JULIUS CALVIN JEFFERSON, SR., PRESIDENT, COUNCIL 260, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

I would like to thank you and the subcommittee members for allowing Council 260 of the American Federation of Government Employees (AFGE) the opportunity to testify on the proposed FY 1990 budget for the National Archives and Records Administration (NARA). My name is Julius Calvin Jefferson, Sr. I have been employed by NARA for 13 years as an Archives Technician and three years as an Archivist Trainee. I am presently the President of Council 260. With me today is Dr. Benjamin L. DeWhitt, Secretary of Council 260, who has been employed 15 years at NARA as an Archivist.

AFGE Council 260 represents the professional and non-professional career and career conditional employees of the National Archives. When NARA became an independent agency in 1985, the bargaining unit consisted of approximately 1600 employees. Today our bargaining unit is comprised of only about 1500 employees. This represents a decline of about one hundred employees in four years. During those four years, the agency's responsibilities and workload have not decreased, but have increased.

Today AFGE Council 260 comes before you to request that the subcommittee allocate an additional 20 million dollars for personnel. We believe that additional personnel are necessary if NARA is to meet its legislative mandate to:

1. provide advice and guidance to federal agencies on their records disposition schedules;
2. appraise federal agency records to determine their legal and historical significance;
3. provide ready access for the public and federal agencies to records already in NARA's custody; and

4. preserve the historically significant documents of the federal government.

The duty to appraise agency records is assigned to the Office of the National Archives (NN) and the Office of Records Administration (NI). The Office of Records Administration has the responsibility to evaluate agency records at the time they are offered to NARA. This initial appraisal is to determine if the records have sufficient historical or legal value to warrant preservation. NI also is responsible for providing guidance to government agencies on records disposition schedules and records management practices, and for ensuring that each agency provides adequate documentation of their programs and policies. NI's Records Appraisal and Disposition Division employs only 18 people to appraise the records of 216 agencies. Its Agency Services Division has only 12 who write policy, conduct training, and take other meaures in an attempt to improve the records magagement practices of those 216 agencies. Unfortunately current records management is often more concerned with short-term efficiency than with preserving historically and legally significant information for the long term. It is easy to see that NI's staff "is spread quite thin."

The Office of the National Archives also has responsibility to appraise documents. It is NN's duty to assist NI archivists in determining the historical value of agency records, to determine their preservation needs, and to reevaluate documents at some point to see that they have retained their historical value. NN's function in assisting appraisal is but a small part of that office's duties. It is also responsible for providing access to the holdings of the National Archives. Access is based on arranging and describing records according to established archival principles, and on developing reference services which efficiently build on those accomplishments.

The National Archives describes the records in its holdings by producing published and unpublished guides, inventories, special lists, and other so-called "finding aids." Due to the decline in staff, NARA has been unable to sustain some important ongoing projects in this realm. In 1982, whle still a part of the General Servies Administration and before a reduction in force, NARA made a commitment to the American Historical Association to publish a series of guides to Captured German records. Although several guides were published, the project has been severely curtailed and a significant portion of the records have yet to be described. NARA has also delayed a project to microfilm the Foreign Military Studies. These are studies written by high level German officials after World War II. They are analogous to memoirs, and are very important in understanding the war. These are but two examples of important projects greatly delayed and still unfinished because the agency is understaffed.

There is no doubt that during the shrinkage in staff the workload of the agency has been increasing. The number of researchers who visit or write the National Archives for assistance continues to grow. The rate at which government agencies produce records continues to grow. The complexity and the variety of systems which produce those records continue to grow.

Even if government is soon made smaller and more efficient, the National Archives still faces the task of servicing the records that were produced during a period of great growth in government. And those records are in many cases among the most important the government has ever produced. The documentation of the Vietnam War, the records of special investigations and special prosecutors, and the data supporting great policy decisions and efforts in the realm of public health are but three examples. If these records are lost or unusable the nation will pay many times over what it would cost to staff the National Archives and Records Administration at a level to ensure their preservation and availability. The lessons of history and indeed the very rights of many citizens lie in the information contained in those records. It is the duty of the National Archives to maintain federal records well, so that those lessons and those rights are preserved. Today we are asking this subcommittee to see that NARA has enough people to do that job.

We will be pleased to answer any questions the committee members might have.

STATEMENT OF MARY FRANCES BERRY, PROFESSOR, GERALDINE R. SEGAL PROFESSOR OF HISTORY, UNIVERSITY OF PENNSYLVANIA ON BEHALF OF THE NATIONAL COORDINATING COMMITTEE FOR THE PROMOTION OF HISTORY

Thank you, Mr. Chairman, for the opportunity to appear before you today. I am here on behalf of the National Coordinating Committee for the Promotion of History, a consortium of fifty historical and archival organizations. As President-elect of the Organization of American Historians, and as a former Vice-President of the American Historical Association, I am representing research historians who are deeply concerned about the National Archives and the National Historical Publications and Records Commission's grants program.

For over eight years the NCC member organizations have worked on behalf of a strong National Archives and National Historical Publications and Records Commission. Our attention at first focused on separating the National Archives from the General Services Administration. After the National Archives became an independent agency in 1984 we waged a campaign to insure the selection of a professional non-partisan U.S. Archivist. With that accomplished a little over a year ago, it is now finally time to address the problem of the long-term pattern of inadequate funding for the National Archives and the NHPRC grants program. For many years there have been warning signals that the National Archives had inadequate resources to accomplish their legislative mandates. In 1983 Senator Thomas Eagleton in introducing legislation to restore an independent agency status to the National Archives noted that even before the 1982 budget cuts that the National Archives had been insufficiently funded. He stated that between 1976 and 1981 the staff of the National Archives decreased by one percent. During this period the responsibilities and records were steadily increasing.

The major historical and archival organizations in this country are urging this committee to consider an FY'90 budget for the National Archives of $150 million. The Administration has requested $122.6 million, less than a 1% increase over last year's budget, with zero funds for the National Historical Publication and Records Commission's grants program. In recommending $150 million, the NCC is requesting $8 million, the authorization level for NHPRC grants and an additional $20 million for the National Archives operating budget.

First let me address the issue of funding for the NHPRC grants program. The NHPRC has an outstanding record of making grants to edit and publish historical documents, to develop archival programs, to promote the preservation and use of documentary source materials, and to support a wide range of other activities relating to America's documentary heritage. In spite of these achievements, the Office of Management and Budget has submitted zero funding for the last 8 years. The withdrawal of federal funds, if allowed to go unchallenged, will mean the end of the records preservation program and the termination of more than half of the publications projects. The funding for the NHPRC grants program was $4 million in FY'79, and ten years later the FY'89 funding is still $4 million. As Senator Paul Sarbanes pointed out in testimony before this committee on April 12, the impact of inflation has seriously eroded the flat $4 million a year appropriation for NHPRC grants. We join Senator Sarbanes in urging an appropriation of $8 million, the authorized funding level for the NHPRC grants program. The task of preserving our documentary heritage is an enormous one that merits funding at the amount project by Congress as needed and appropriate for this important work.

Now, let me turn to the severe difficulties facing the National Archives and to the problems that have prompted us to request an additional $20 million for the operational budget of the National Archives. The National Archives must have the resources to enable it to carry out its legislated mission, many aspects of which it is unable to do now because of lack of resources. The appraisal of records to determine which merit preservation and which should be destroyed is one of the National Archives' most important tasks. Yet the Archives has nominal contact with federal agencies and provides little support in identifying, scheduling, and transferring records. The advent of electronic recordkeeping makes it even more crucial that the National Archives provide agencies with needed guidance. The Iran Contra Affair has provide ample evidence of the importance of electronic records in documenting agency activities and policy decisions. The National Academy of Public Administration's recent study, "The Effects of Electronic Recordkeeping on the Historical Records of the U.S. Government" includes seventeen recommendations which include the need for the National Archives to direct considerably more resources, staff, and attention to electronic records and to working with the federal agencies to guarantee the preservation and accessibility of electronic records. Many state archives fund this key function at a proportionately higher level than NARA. For example, in Alabama there are seven state archives staff people working with state agencies, while the National Archives has less than twenty staff people working with all the federal agencies.

Turning to another extremely serious problem, approximately one third of the records of the National Archives are inadequately described. Until a major initiative is undertaken to deal with the enormous backlog of inadequately described records, those who wish to use the records will be doomed to missing much or most of the documentation relating to their study. An another area, the servicing of records, suffers from a serious shortage of knowledgeable staff. For many key record groups at the National Archives there are no staff with extensive knowledge of the records. Without staff who have intimate knowledge of the records, many records can never be identified adequately and used effectively. The intellectual resources of the National Archives have been dissipated and this trend must be reversed.

While the resources and staff at the National Archives have diminished or remained static, the records of government and the responsibilities of the National Archives are increasing. The number of personnel at the National Archives is now at approximately the same level that it was in 1976. But the federal government now produces every four months a stack of records equal to all those produced in the 124 years between George Washington and Woodrow Wilson. In the last few years, the National Archives has acquired some extremely complex and massive groups of records -- for example, the records of the Congressional investigation of the Iran-Contra affair, the files of special prosecutors, the records of the Aids' Commission, and the records of the Vietnam War. Yet, not only is the Archives not able to complete its earlier responsibilities, there have been no additional staff to accompany these new responsibilities.

The additional $20 million proposed for the National Archives is just a beginning for addressing many serious inadequacies and does not even deal with the costs of the backlogs in preservation and declassification of records. The National Archives is entrusted with the stewardship of federal records of enduring value, both for administrative efficiency and accountability and for the study of American history, and must have a budget that enables it to carry out its various functions of accessioning, describing, preserving, and servicing federal records.

In 1979, Kurt Muellenberg, the Inspector General, testified before Congress on a General Accounting Office study of the operation of the National Archives. He observed that the National Archives has not had funds to accomplish its basic archival mission. He recognized the backlogs in accessioning and description but said that because of the way the National Archives budget is presented "OMB and the Congress have not been given the opportunity to review the priorities and resources devoted to basic mission areas." We are here today because those recommendations were never adopted and the proposed budget for the National Archives obscures the fact that there are insufficient funds for the basic archival functions.

On behalf of historians, archivists, political scientists, librarians and genealogists, all part of the NCC coalition, I thank you for this opportunity to share with you our concerns about the National Archives. We urge you to recommend a $150 million budget for the National Archives in FY'90 which would include $8 million for the grants program of the National Historical Publications and Records Commission and an additional $20 million for the National Archive's operating budget.

STATEMENT OF THE AMERICAN FEDERATION OF FEDERAL EMPLOYEES

On behalf of the National Federation of Federal Employees, which represents over 150,000 Federal workers across the nation, I would like to thank you for the opportunity to present our concerns today on several issues concerning the Federal workforce.

The first issue I would like to raise concerns the Bush Administration's proposed budget for Fiscal Year 1990. Federal employees' and retirees' compensation programs are the target of more reductions than any other group affected by the budget. Approximately 40-50% of Bush's specific proposed cuts come from this category.

Taken as a whole, this budget presents a blueprint for the steady erosion of the Federal workforce. The President's budget cannot help but eventually reduce essential services to the citizens of this country because there will be fewer Federal workers providing those services. This hurts the entire nation.

There is a serious crisis in recruitment and retention in the Federal workforce. Agencies cannot attract or retain the quality and quantity of workers it needs. And the answer to this crisis is not hiring more temporaries or contracting out more Federal jobs. We must recognize, reward, and encourage the essential contributions of those who hold the Government's institutional memory. Any successful business quickly comes to realize the value of those employees who have made a career of fulfilling the company's goals. These careerists are the backbone of any business and Federal employees are no different. Congress no longer has a choice. Compensation for Federal workers must be improved now, or we will be paying the price for the next several generations.

NFFE is not alone in its assessment of the crisis in the Federal government. The recently released report by the National Commission on the Public Service, entitled *Leadership for America: Rebuilding the Public Service*, expressed similar concerns: "...there is evidence on all sides of an erosion of performance and morale across government in America. Too many of our most talented public servants--those with the skills and dedication that are the hallmarks of an effective career service--are ready to leave. Too few of our brightest young people--those with the imagination and energy that are essential for the future--are willing to join."

Yet the current Administration apparently sees things differently. The specific cuts outlined in the President's FY 1990 budget include a 2% pay raise for civilians while recommending a 3.6% increase for military personnel, an increase in the employee's contribution to Federal health insurance premiums, the elimination of the FY 1990 cost-of-living-adjustment for Federal retirees while leaving intact the COLA for social security recipients, permanently reducing Federal retirees' COLAs to the consumer price index minus one percent, and the elimination of the lump-sum retirement benefit.

While the proposed reductions to the health benefits and retirement programs are outrageous, we will work with other committees to defeat them. Before the Treasury Appropriations Subcommittee today, I would like to focus on the pay raise issue.

NFFE commends the committee's actions last year in ensuring that civilians would be granted the same pay raise as that for military personnel in Fiscal Year 1989. In doing so, Congress officially recognized for the first time that parity between these two groups of employees was appropriate. A General Accounting Office report (GAO/NSIAD 88-67BR) released last year showed military compensation to be approximately 27% higher than that of civilians. In the face of such a discrepancy, we urge the committee to ensure that civilian employees of the government are granted at least the 3.6% pay increase assumed for military personnel by the Bush budget for FY 1990. Should the military pay raise be increased by committee action, however, we urge that civilians be treated equally.

We are also concerned, Mr. Chairman, about the amount of the pay raise that agencies will be expected to absorb within their appropriated funding levels. One hundred percent of the FY 1989 pay raise of 4.1% for civilians was absorbed by the agencies. As a result, many of them are experiencing shortfalls in funding in their personnel accounts, and furloughs and reductions-in-force are being threatened.

The Bush budget assumes that the agencies would absorb 100% of the 2% pay raise assumed for civilians for FY 1990, but has not included an absorption amount for the defense agencies for the military pay raise of 3.6%. In the course of setting the pay raise for civilian and military personnel, the committee could resolve this discrepancy by ensuring that all agencies are sufficiently funded for their regular activities and the additional pay increase. We urge the committee to promote equity and fairness between civilians and military in this important aspect of the pay raise as well.

The second issue I would like to discuss today, Mr. Chairman, is child care services in the Federal government. While the committee has included language in recent years encouraging the use of extra space in Federal buildings for child care facilities, such services are not available for most Federal employees. NFFE feels strongly that the number of such facilities must be expanded throughout the government to meet the needs of working parents.

Moreover, even in those areas where child care facilities exist, the cost of such services is out of the reach of many employees, particularly those in the lower grades. For example, tuition for services at the child care facility in the General Services Administration headquarters in Washington, D.C. cost parents $400-550 per child per month. This cost does not include rent for the building, since GSA provides that free as the government's landlord. Yet the amount which must be charged to the parents who need child care is well out of reach for many of them.

In order to increase the affordability of government child care services for working parents, NFFE recommends that the government provide direct subsidies to parents for child care tuitions. Fees for such services could be based on a sliding scale, thereby helping those working parents who need it most.

Thank you again, Mr. Chairman, for the opportunity to present our views today. That concludes my statement. I will be happy to answer any questions.

STATEMENT OF THE NATIONAL DEMOCRATIC POLICY COMMITTEE

Thank you Mr. Chairman, for the opportunity to testify on the Treasury Department appropriations for fiscal year 1990.

The Treasury Department does have a substantial responsibility for waging a war on drugs. Despite the creation of the position of National Drug Director however, there is as yet no sign that our national effort against drugs is going to be even marginally successful. To be successful will require changes in certain critical policies, and therefore, I would like to direct my remarks to how a real war on drugs should be conducted.

There has, as yet, never been a war conducted against drugs or drug trafficking by the United States. The NDPC has consistently advocated policies and principles for the conduct of such a war, but these recommended steps have yet to be embraced on the official political policy formulating level of our national government. A successful war on drugs will not be possible until there is at least a thoroughgoing debate and action on these policy steps.

The NDPC welcomes all serious intentions to combat drugs. However, intentions alone will not produce results. The NDPC therefore would like to issue a series of cautions, to Mr. Bennett, to the administration, and to Congress and this committee, as to what will be required for success.

First, after a strong statement against drugs by President Bush, there were a series of statements indicating that the scale of the effort was conditional on the available resources as dictated by budget austerity. If all that the nation is to be offered is a macho version of the ridiculous "Just say no to drugs" campaign, it is better to be honest rather than demoralizing people by leading them to think something serious is being done when it is not. Treasury agencies and departments involved in anti-drug efforts must receive adequate funding.

Second, there must be a definitive break, in the area of economics, from the ideological commitment that was rampant during the Reagan administration, and which was manifest more recently by Vice President Dan Quayle's endorsement of the work of Hernando de Soto and the "informal economy," to equate the black market economy, i.e. the drug economy, with the production of real wealth.

Third, Treasury initiatives to resolve the debt crisis, such as the Brady plan, have been worse than the disease. A serious war on drugs will necessitate helping the economies of our Ibero-American neighbors especially, return to a state of economic health. Yet Treasury has so far advanced policies based on usury, which will ensure a situation of economic desperation where the cultivation, processing, and export of drugs will flourish.

Fourth, there must be a ruthless attack on drug money laundering which is being conducted by banks and financial institutions. Sen. Bentsen recently admitted that one of the reasons that Congress was not more aggressively clamping down on LBOs for example, was the fear that such action could precipitate a general financial crisis. It seems that there is a similar fear if the $500 billion or more of drug laundered funds were to be denied to the major money center banks. This is an intolerable situation, where people and institutions engaged in this vile activity are able, in effect, to blackmail and subvert the national interests.

Even when banks have been caught laundering funds, when they get a slap on the wrist, such as that given to the Bank of Boston, the message seems to be that laundering money is just not that criminal.

And finally, efforts to cut off drugs at the source of supply must be pursued with the utmost respect for the national sovereignty of our Ibero-American neighbors. Yes, the cutoff of drugs must be conducted as a real military operation. Yet usually, proposals for supranational police and military bodies which would impinge sovereignty are offered to the nations of Ibero-America, while the most basic equipment allowing their own forces to conduct the war are denied them.

There is a 15 point program for conducting the war on drugs at the source which Mr. Lyndon LaRouche first presented to a conference on drug fighting in Mexico City in 1985 which is appended to this statement. I urge Treasury officials and others to study these proposals carefully, especially from the standpoint of the issue of respect for national sovereignty, and take them to heart. Those who tread on the national sovereignty of our Ibero-American neighbors under the banner of fighting drugs, whether consciously or not, are themselves sabotaging the war on drugs.

THE DRUG ECONOMY

Let us expand on the second point mentioned above.

On Sept. 27, 1987, President Reagan declared in a speech before the U.N., "Development is not itself a right." "We're all familiar with the phenomenon of the 'underground economy,'" Reagan said. "The scholar, Hernando de Soto, and his colleagues have examined the situation of one country, Peru, and described an economy of the poor that bypasses crushing taxation and stifling regulation. This 'informal economy,' as the researchers call it, is the principal supplier of many goods and services.... The free market is the other path to development, and the one true path.''

This statement is an explicit endorsement of the legalization of the black economy.

Elliott Abrams and the Project Democracy group have declared the major enemy in the hemisphere to be the existence of strong nation states and the militaries that defend them. State Department Special Report No. 158, issued in March, 1988 and entitled "Democracy in Latin America and the Caribbean: The promise and the challenge," calls for "new values (and) organizational diversity" to replace the institutions which have formed the backbone of the Ibero-American republics--the labor movement, the Catholic Church, and the military.''

Narco-terrorism is not pinpointed as the major enemy, but "the pervasiveness of hierarchical structures with deep historic and cultural roots has created ingrained authoritarian habits" which threaten democracy. Key offenders are "religious and military institutions--the 'cross and the sword'--of the Spanish Conquest, key pillars of traditional order ever since.''

A chief instrument of this policy has been the Center of International Private Enterprise (CIPE), and its star project, Hernando de Soto's Institute for Liberty and Democracy (ILD) in Lima, Peru.

In November 1986, the ILD published The Other Path, billed as a "manual" on how the "informal economy" can be tapped as a new source of wealth to pay the debt and return to growth. De Soto proposes the legalization of the black economy as the answer to the region's ills. The narcotics trade is by far the largest component of the black economy.

Advertisements hailed the book for devising "a Latin American strategy destined to limit the powers of our states." The Other Path argued that the existence of the nation state itself oppresses freedom, and that "we must imbibe the norms of extra-legality" to defeat it.

Peruvian novelist Mario Vargas Llosa wrote the introduction and provided the inspiration for the book, according to ILD members. Vargas Llosa captures the essence of the libertarian worldview of Project Democracy. A follower of fascist philosopher Nietzsche, Vargas Llosa wrote in his book, The Perpetual Orgy: "Our incurable materialism, our predilection for the pleasures of the body over those of the soul, our respect for the senses and instincts, our preference for the earthly life over anything else ... are what religion and Western morals have barbarically combatted throughout history.''

CIPE, an arm of the National Endowment for Democracy, and the Rockefeller family's Americas Society backed up de Soto's work, financing a huge publicity campaign throughout the continent.

On May 1, 1987, in a speech before the Association of American Chambers of Commerce, Elliott Abrams declared The Other Path to be the official policy of the Reagan administration. Praising de Soto, Vargas Llosa, and the ILD, Abrams stated that the answer to the economic crisis is "legalizing the so-called parallel markets.... Free markets may exist only in the informal economy, which does not enjoy protection of the law."

This policy is directly counter and must be overturned to conduct a serious war on drugs.

Finally Mr. Chairman, I now append Mr. LaRouche's program for a hemispheric war on drugs.

- THE 15 POINT PROGRAM -

On March 13, 1985, U.S. presidential candidate Lyndon LaRouche addressed a Mexico City conference on the illegal drug traffic. The following part of his speech was entitled, ``My war-plan.''

1. What we are fighting, is not only the effects of the use of these drugs on their victims. The international drug traffic has become an evil and powerful government in its own right. It represents today a financial, political, and military power greater than that of entire nations within the Americas. It is a government which is making war against civilized nations, a government upon which we must declare war, a war which we must fight with the weapons of war, and a war which we must win in the same spirit the United States fought for the unconditional defeat of Nazism between 1941 and 1945.

2. Law-enforcement methods must support the military side of the War on Drugs. The mandate given to law-enforcement forces deployed in support of this war, must be the principle that collaboration with the drug traffic or with the financier or political forces of the international drug traffickers, is treason in time of war.

a) Any person caught in trafficking of drugs, is to be classed as either a traitor in time of war, or as the foreign spy of an enemy power.

b) Any person purchasing unlawful substances, or advocating the legalization of traffic in such substances, or advocating leniency in anti-drug military or law-enforcement policy toward the production or trafficking in drugs, is guilty of the crime of giving aid and comfort to the enemy in time of war.

3. A treaty of alliance for conduct of war, should be established between the United States and the governments of Ibero-American states which join the War on Drugs alliance to which the President of Mexico has subscribed. Other states should be encouraged to join that military alliance.

4. Under the auspices of this treaty, provisions for actions of a joint military command should be elaborated. These provisions should define principles of common action, to the effect that necessary forms of joint military and law-enforcement action do not subvert the national sovereignty of any of the allied nations on whose territory military operations are conducted. These provisions should include the following:

a) The establishment of bilateral military task-forces, pairwise, among the allied nations;

b) The establishment of a Common Command, assigned to provide specified classes of assistance, as such may be requested by designated agencies of either of any of the member states, or of the bilateral command of any two states;

c) Under the Common Command, there should be established a central anti-drug intelligence agency, operating in the mode of the intelligence and planning function of a military general staff, and providing the functions of a combat war-room;

d) Rules governing the activities of foreign nationals assigned to provide technical advice and services on the sovereign territory of members of the alliance.

5. In general, insofar as each member nation has the means to do so, military and related actions of warfare against targets of the War on Drugs, should be conducted by assigned forces of the nation on whose territory the action occurs. It were preferred, where practicable, to provide the member nation essential supplementary equipment and support personnel, rather than have foreign technical-assistance personnel engaged in combat-functions. Insofar as possible:

a) Combat military-type functions of foreign personnel supplied should be restricted to operation of detection systems, and to operation of certain types of aircraft and anti-aircraft systems provided to supplement the capabilities of national forces; and

b) Reasonable extension of intelligence technical advice and services supplied as allied personnel to appropriate elements of field operations.

6. Technologies appropriate to detection and confirmation of growing, processing, and transport of drugs, including satellite-based and aircraft-based systems of detection, should be supplied with assistance of the United States. As soon as the growing of a relevant crop is confirmed for any area, military airborne assault should be deployed immediately for the destruction of that crop, and military ground-forces with close air-support deployed to inspect the same area and to conduct such supplementary operations as may be required. The object is to eliminate every field of marijuana, opium, and cocaine, in the Americas, excepting those fields properly licensed by governments.

7. With aid of the same technologies, processing-centers must be detected and confirmed, and each destroyed promptly in the same manner as fields growing relevant crops.

8. Borders among the allied nations, and borders with other nations, must be virtually hermetically sealed against drug traffic across borders. All unlogged aircraft flying across borders or across the Caribbean waters, which fail to land according to instructions, are to be shot down by military action. A thorough search of all sea, truck, rail, and other transport, including inbound container traffic, is to be effected at all borders and other points of customs-inspection. Massive concentration with aid of military forces must be made in border-crossing areas, and along relevant arteries of internal highway and water-borne transport.

9. A system of total regulation of financial institutions, to the effect of detecting deposits, outbound transfers, and inbound transfer of funds, which might be reasonably suspected of being funds secured from drug trafficking, must be established and maintained.

10. All real-estate, business enterprises, financial institutions, and personal funds, shown to be employed in the growing, processing, transport, or sale of unlawful drugs, should be taken into military custody immediately, and confiscated in the manner of military actions in time of war. All business and ownership records of entities used by the drug traffickers, and all persons associated

with operations and ownership of such entities, should be classed either as suspects or material witnesses.

11. The primary objective of the War on Drugs, is military in nature: to destroy the enemy quasi-state, the international drug trafficking interest, by destroying or confiscating that quasi-state's economic and financial resources, by disbanding business and political associations associated with the drug trafficking interest, by confiscating the wealth accumulated through complicity with the drug traffickers' operations, and by detaining, as ``prisoners of war'' or as traitors or spies, all persons aiding the drug trafficking interest.

12. Special attention should be concentrated on those banks, insurance enterprises, and other business institutions which are in fact elements of an international financial cartel coordinating the flow of hundreds of billions annually of revenues from the international drug traffic. Such entities should be classed as outlaws according to the ``crimes against humanity'' doctrine elaborated at the postwar Nuremberg Tribunal, and all business relations with such entities should be prohibited according to the terms of prohibition against trading with the enemy in time of war.

13. The conduct of the War on Drugs within the Americas has two general phases. The first object is to eradicate all unlicensed growing of marijuana, opium, and cocaine within the Americas, and to destroy at the same time all principal conduits within the Hemisphere for import and distribution of drugs from major drug-producing regions of other parts of the world. These other areas are, in present order of rank:

a) The Southeast Asia Golden Triangle, still the major and growing source of opium and its derivatives;

b) The Golden Crescent, which is a much-smaller producer than the Golden Triangle, but which has growing importance as a channel for conduiting Golden Triangle opium into the Mediterranean drug-conduits;

c) The recently rapid revival of opium production in India and Sri Lanka, a revival of the old British East India Company opium production;

d) The increase of production of drugs in parts of Africa.

Once all significant production of drugs in the Americas is exterminated, the War on Drugs enters a second phase, in which the war concentrates on combatting the conduiting of drugs from sources outside the Hemisphere.

14. One of the worst problems we continue to face in combatting drug trafficking, especially since political developments of the 1977-81 period, is the increasing corruption of governmental agencies and personnel, as well as influential political factions, by politically powerful financial interests associated with either the drug trafficking as such, or powerful financial and business interests associated with conduiting the revenues of the drug trafficking. For this and related reasons, ordinary law-enforcement methods of combatting the drug traffic

fail. In addition to corruption of governmental agencies, the drug traffickers are protected by the growth of powerful groups which advocate either legalization of the drug traffic, or which campaign more or less efficiently to prevent effective forms of enforcement of laws against the usage and trafficking in drugs. Investigation has shown that the associations engaged in such advocacy are political arms of the financial interests associated with the conduiting of revenues from the drug traffic, and that they are therefore to be treated in the manner Nazi-sympathizer operations were treated in the United States during World War II.

15. The War on Drugs should include agreed provisions for allotment of confiscated billions of dollars of assets of the drug trafficking interests to beneficial purposes of economic development, in basic economic infrastructure, agriculture, and goods-producing industry. These measures should apply the right of sovereign states to taking title of the foreign as well as domestic holdings of their nationals, respecting the lawful obligations of those nationals to the state. The fact that ill-gotten gains are transferred to accounts in foreign banks, or real-estate holdings in foreign nations, does not place those holdings beyond reach of recovery by the state of that national.

On the issue of the international drug traffic, all honorable governments of Central and South America share a common purpose and avowed common interest with the government of the United States. By fighting this necessary war, as allies, we may reasonably hope to improve greatly the cooperation among the allies, in many important matters beyond the immediate issue of this war itself. Whenever allies join, as comrades-in-arms, to fight a great evil, this often proves itself the best way to promote a sense of common interest and common purpose in other matters. Many difficulties among the states of this Hemisphere, which have resisted cooperative efforts at solution, should begin to become solvable, as we experience the comradeship of the War on Drugs.

STATEMENT OF ROBERT M. MONTAGUE, JR., VICE PRESIDENT, "JUST SAY NO" INTERNATIONAL

I wish to send directly to you a copy of the testimony which I was to give before the Subcommittee on Treasury, Postal Service, General Government on April 19, 1989. Unfortunately, the public hearing was cancelled and witnesses were instructed to submit their testimony to the Subcommittee staff.

I believe that dealing with the drug problem which has invaded our Nation is as important as having a strong national defense.

I point out in my attached testimony that our organization, "Just Say No" International, which shows already such tremendous potential in educating children to say "No" to drugs, has to depend on individual contributions to achieve its goals. We simply must use direct mail to reach individual donors, to inform them about the "Just Say No" program and convince them to contribute.

Thus, in determining the mix of appropriations, I urge the Subcommittee not to undervalue the importance of revenue foregone -- the funds that make it possible for qualified nonprofit organizations, such as "Just Say No" International, to reach millions of American parents with a practical, positive and tested method to keep their children drug free.

Senator, I ask you to enable us to expand and improve our program. I urge you to support full funding of revenue foregone in fiscal 1990.

Thank you for your support.

Mr. Chairman and Members of the Subcommittee, I am General Robert M. Montague, Jr., U.S. Army (Ret.), and I am currently Vice President for Development of "Just Say No" International (JSN). I serve at the direct request of Mrs. Nancy Reagan, the Founder and active Honorary Chairman of "Just Say No" International.

I have had the honor on a number of occasions to testify before the U.S. Congress on nuclear weapons development and creation of an All-Volunteer Force.

It is a pleasure to be back this time to deal with an issue which today is probably as important as national defense. I am speaking of the massive and pervasive problem of drug abuse in the United States and in many other countries.

I would like you to know that I am concurrently associated with three other nonprofit organizations: Special Olympics International, the Unites States Olympic Committee, and the Unites States Organization for Disabled Athletes.

In the few minutes that I have today, I wish to focus the Subcommittee's attention on "Just Say No" International--an emerging organization with a critical mission and fantastic promise. To help "Just Say No" International is analogous to aiding an emerging nation. We cannot develop without assistance.

As the Vice President for Development "Just Say No" International, I see no way to generate needed revenue without seeking contributions from individuals.

Individuals contribute more than 90 percent of the $90 billion that is donated annually to nonprofit organizations from all sources. Corporations and foundations give less than five percent apiece. So nonprofit organizations simply cannot exist without support from individual Americans.

Let me give you a sketch of how "Just Say No" International functions.

* We have a nationwide--and now an international club structure with 15,000 JSN Clubs, most of them in schools. Club members are girls and boys from seven to 14 years old.

* The Just Say No approach is based on sound psychological and educational theory. It is a resistive

approach that incorporates the age-old principle that repetition is the first law of learning.

- JSN club members take a pledge and learn how to live up to it. Children learn to feel comfortable saying "no." They practice how to resist--for example to suggest alternate, harmless entertainment, such as going to see a movie.
- The resistive approach enables a young person to anticipate how he will respond to inducements from a fellow student or an older 'cool' kid to sample drugs or serve as a runner. It is behavior that is learned, and with each successful application, it is behavior that becomes entrenched.
- The club structure is ideal. It capitalizes on peer support and peer pressure in a positive way. JSN can reach more children by attracting new members and establishing new Clubs.
- We draw on the professional skills of public school teachers. Plus they already know many of the club members, their strengths and weaknesses. We provide the specialized training they need to serve as an adult leader of a JSN Club.

There are three other basic approaches to the drug problem: interception, enforcement, and treatment. All three are expensive, difficult to administer efficiently, and relatively ineffective.

One thing that interception does have going for it is that, as with education, it is preventative. On the other hand, even if we could intercept one half of all drugs coming into this country and produced domestically, it would barely make a dent in terms of usage prevention.

Sadly, we are not intercepting any amount close to one half; my understanding is that it is more like ten percent.

Unfortunately, to try to be more effective at interception takes an inordinate increase in government spending--just at a time when Congress needs to contain spending.

Law enforcement suffers from many of the same problems as interception: It has not been very effective, and it will be expensive to step up enforcement significantly.

Unlike education and interception, convicting drug users and sellers, even if they go to prison, is not preventative in the first instance, nor is it preventative in the case of repeat offenders.

Treatment is also expensive. As with law enforcement, it is not preventative in the first instance. By definition addiction is exceedingly difficult to break. Once a physical or psychological dependency is created, it is the exception rather than the rule for reason and discipline to take over.

As expensive as education is, it is the least expensive of the four basic approaches. I do not suggest that the other three should be abandoned. On the contrary, our society desperately needs to expand and improve all approaches to dealing with the drug problem.

My point is simply this: In determining the mix of appropriations, we urge the Subcommittee not to undervalue the importance of education, particularly by the private nonprofit sector.

I am referring to revenue foregone, the funds that make it possible for qualified nonprofit organizations, such as JSN, to reach millions of American parents with a practical, positive and tried method to keep their children drug free.

For education to work, JSN needs to establish more clubs--if we are to make a reasonable impact on this generation's consumption of drugs.

That requires funding. We cannot establish more Clubs without funds, and that means we will continue to be dependent on direct mail fund raising. One-third of our revenue this year is projected to come from direct response marketing.

We cannot charge membership dues. That would be counter productive, even if young children could afford them.

Corporation and foundation grants are a potential source, and we will try to attract more institutional donations; however, in order to make a reasonable impact on this generation's consumption of drugs, the magnitude of our financial needs requires that we go directly to the American people.

There are approximately 26.5 million children in school between the ages of seven and 14. In its relatively short two-year existence, JSN has founded and supports about 15,000 clubs with 1 million youthful members on an annual budget of $2 million.

Thus, in order to reach between one-third and one-half of the 26.5 million children that make up the target audience, JSN needs to raise between $18 and $27 million. That means we need to fund about a ten-fold expansion in our budget.

This will be difficult enough, given the current nonprofit bulk mail rate. Postage is the single largest item in most direct mail campaign budgets.

Every fraction of a cent increase in the nonprofit mail rate means JSN will educate fewer and fewer children to develop the skills, attitude, and discipline necessary to resist the lure of drugs.

On the other hand, stabilizing nonprofit bulk mail means that the number of Clubs and membership can grow. It also assures that we can reach more parents with this crucial educational message: There is a sensible program to help teach children how to deal with drugs and pushers. Drugs that interception cannot interdict and the pushers that law enforcement cannot stop.

That's because each piece of mail is not simply an appeal for funds. It is multi-purpose. It carries an educational message. It says: "Parents, there is something positive you can do today to enable your child and your neighbor's child to resist the lure of drugs. Here's how."

Mr. Chairman, we ask you today to enable us to send that message to more parents across this great land. We urge you to support full funding of revenue foregone in fiscal 1990. In just our narrow field of interest--the drug problem, it is the best investment the federal government can make.

Other than JSN's relative miniscule share of revenue foregone, our educational program costs the government nothing, and it saves the government untold billion of dollars in terms of and lives saved, taxes paid, and a better life for our Nation's young people.

STATEMENT OF EVELYNE VILLINES, MEMBER, BOARD OF DIRECTORS, NATIONAL INDUSTRIES FOR THE SEVERELY HANDICAPPED

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify today. I am Evelyne Villines, a member of the Board of Directors of the National Industries for the Severely Handicapped, commonly known as "NISH." NISH is designated by the Committee for Purchase from the Blind and Other Severely Handicapped as the central nonprofit agency providing technical assistance to sheltered workshops employing persons with severe disabilities under the provisions of the Javits-Wagner-O'Day Act, which we refer to in short as the "JWOD" Act.

Mr. Chairman, I'm asking your help today for a Program that I love -- the JWOD Program. I champion the JWOD Program because it serves individuals who are very dear to me: persons who have severe disabilities. While the severity of their disability can inhibit competitive employment, they can nevertheless be employed under JWOD because of the specialized support and vocational training provided by the rehabilitation facilities which operate the JWOD contracts. Eventually, many participants in the JWOD Program progress and develop job skills which enable them to move upward -- whether to positions of greater responsibility within the workshop or into competitive employment.

I have worked in the Rehabilitation field for 27 years, and with NISH since its inception, so I'm speaking from experience when I say that the JWOD Program is un-equalled in benefitting both citizens with severe disabilities and the government. Congress can be proud, for when it enacted the JWOD Act it created a landmark program that has proven itself over the test of time.

My request on behalf of NISH and the persons with severe disabilities we serve is for enough funding for the Committee for Purchase from the Blind and Other Severely Handicapped to properly carry out its mission. NISH strongly recommends that the FY 1990 Appropriation for the "statutory Committee," as we in the JWOD community refer to it, be raised by $200,000 from this year's level, bringing it to a total of $1.062 Million. Let me give you some background on how the statutory Committee works, and then explain why we feel this request is justified.

The statutory Committee was established by Congress to administer and advance the JWOD Program. As you know, under the JWOD Act, federal agencies procure products and services from nonprofit sheltered workshops employing persons who are blind or who have other severe disabilities. The statutory Committee has many administrative duties: it determines whether a workshop is qualified to perform under the JWOD Program, it specifies the items to be added to the government's mandatory Procurement List, it establishes the fair market price that the government will pay, it educates federal officials about the Program, and it carries out various other related functions.

The responsibility of NISH is similar to our older sister organization, the National Industries for the Blind: We help our respective workshops to obtain and perform JWOD contracts by providing the technical expertise they don't have. Our assistance enables the workshops to fulfill the manufacturing or service requirements in an efficient, competent and quality manner. NISH has specialists in engineering, contract administration, costing, pricing, business management, research and development, marketing, and compliance assistance. Our goal is to help the workshops employ as many individuals as possible. Of course, NISH shares with the entire workshop community a firm commitment to ensure that our customers -- the government agencies who procure from us -- remain perfectly satisfied with the quality and on-time delivery of JWOD goods and services.

Since its establishment in 1975, the technical expertise NISH has provided to workshops has resulted in their multiplying from only a handful at that time to 279 at present. The number of persons with severe disabilities employed currently totals approximately 13,000! Since I've been part of this program from the beginning, I'm especially proud to report this successful growth of the JWOD Program to you. However, I would be remiss if I didn't also mention that there is still a tremendous un-met need. I am referring to the more than 2,600 workshops that could produce under the JWOD Program but have not yet been able to secure a JWOD contract. So, while the JWOD Program has experienced great growth over the years, its mission to provide employment opportunities to those with severe disabilities is far from complete.

THE NEED FOR MORE FUNDS FOR THE JWOD STATUTORY COMMITTEE

I'd like to turn now to my main reason for appearing before you today. NISH is recommending a $200,000 increase above this year's appropriation level for the Committee for Purchase from the Blind and Other Severely Handicapped. Our recommendation is endorsed by 57 other national disability organizations representing nearly every major organization in this country involved with disability concerns. This $200,000 would result in a FY 1990 appropriation of $1.062 Million, or about 23% above this year's budget. By comparison, OMB has approved only $937,000. Although the OMB amount represents a $75,000 increase over current services, we find it little more than a band-aid solution to a critically larger need.

Let me explain why we feel our $1.062 M request is fully justified. First of all, more funds are needed to correct the present problem of having too little staff to handle the greatly expanded workload resulting from the tremendous growth of the JWOD Program. The OMB-approved budget includes no funds for additional personnel. Secondly, despite this growth there is still a huge un-met need, as reflected by the fact that only about 9% of the capable workshops currently have JWOD contracts. This pressing need can only be addressed by a concerted promotional effort to foster greater use of the JWOD Program by the federal procurement community. Such promotion would also ensure that the JWOD Program continues to grow despite the threat of federal budget constraints upon procurement practices. Our request includes funding to adequately implement this promotional effort, whereas the funds approved by OMB would finance very little of the necessary marketing activities, and no additional staff. Finally, our request includes sufficient funding to conduct research that analyzes the performance of the Program in order to further improve it. This research will have the added benefit of providing supporting data to back-up promotional campaigns. Let me now describe our justifications for additional funds in more detail.

STAFFING NEEDS

The statutory Committee's staff has expanded by only one position (to 13) since 1979. Yet the workload during that period has increased dramatically. The number of NISH workshops increased 150 percent. There was a three-fold increase in the number of persons with severe disabilities employed. And the total JWOD sales for NISH affiliated workshops is almost six times what is was 10 years ago. [For a graphic illustration of this exponential growth trend, please refer to graphs attached to this testimony]. By comparison, the annual increase in the statutory Committee's appropriations for the past five years has barely kept pace with the annual inflation rate, with only a 1.4% increase last year! Clearly, funding has not kept pace with the Program's expansion.

Even though the Statutory Committee is commendably striving to continue its tradition of lean and efficient staffing, processing time for JWOD contracts cannot help but be adversely affected in the face of this explosive Program growth. JWOD is already among the best of all federal programs in terms of program efficiency, with the statutory Committee's administrative costs amounting to less than $50 for each of the approximately 17,000 blind and severely handicapped individuals currently employed under the JWOD Program. Can you think of any government program more efficient than this one?

Mr. Chairman, this agency has absolutely no fat -- it has a bare bones staff already! Let me recount to you a telling anecdote. When the flu season was upon us this past winter, several staff members of the Statutory Committee were home ill. Well, since there was not sufficient staff to absorb the workload, the review of new projects came to a virtual stand-still for nearly a week. Now even under the best of circumstances, adding an item to the Procurement List can take several months to a year. But the procuring agency buying the item in question can't wait for us. They must buy in time to meet their own stockage or service requirements. As a result, if the statutory Committee's processing is behind schedule, we lose the job opportunities not just for a week or a month, but for the entire year, until the next purchase is made -- or perhaps forever, if financial feasibility factors change in the interim. And since the price must generally be based on the previous purchase, our calculations and processing must start from scratch if we miss this window of opportunity. As you can see then, the critical shortage of staff seriously hampers the statutory Committee's mission to maximize employment opportunities for persons with severe disabilities.

NISH has been cooperating with the Committee to find ways of streamlining the process of adding an item to the Procurement List so that we can put more persons with severe disabilities to work faster and at less administrative cost. We hope these streamlining initiatives will help mitigate the problem of lengthy processing time caused in part by the lack of staff. The proverbial objective here is to get "more bang for the buck" -- albeit without sacrificing quality or compliance mandates.

One final point on staffing. Our request would also give the statutory Committee some flexibility with which to cover any future pay raises for federal employees. While bigger agencies

might be able to find these extra funds internally, it would be very difficult to absorb for a small agency which already is operating on a very tight budget.

OVERCOMING THE EFFECTS OF FEDERAL BUDGET CUT-BACKS

Reinforced staffing is not the only reason necessitating more resources for the statutory Committee. In addition, there is the threat arising from the effects of federal budget constraints upon procurement practices. Already these belt-tightening effects are being felt. Many workshops are experiencing a decreasing volume of orders for products. Other workshops will lose business because of military base closings. And this past summer a significant amount of workshop sales were lost due to the DoD spending freeze.

Continued growth of the JWOD Program is seriously threatened by this domino effect of budget restrictions upon procurement. Indeed, purchases of products actually fell last year, though strong sales in the service sector offset this drop to produce a net increase in sales in FY 88. The statutory Committee has recognized this threat, and recently testified before this Congressional Committee on the need to "strengthen and expand" the JWOD Program so that employment opportunities can continue to grow even in the face of procurement retrenchment.

MARKETING JWOD VIA RESEARCH AND PROMOTIONAL/ADVOCACY INITIATIVES

The way to make up for the potential loss of sales due to tight procurement budgets is to market the JWOD Program within the procurement community to acquire more JWOD contracts from new customers and encourage more usage by current customers. This marketing effort would include research and promotional/advocacy initiatives. Findings from the research projects would undergird the promotional efforts. For example, consider some of the research projects being considered. One possible project would examine characteristics of the persons employed under

JWOD, exploring the barriers they face in being competitively employed, and documenting their job satisfaction, wages and benefits. Another project, already begun, involves doing a marketing analysis of procurement agencies, investigating their awareness, needs, satisfaction and suggestions for the Program. This data can be used then to promote the JWOD Program to the procurement community and general public.

The JWOD statute (P.L. 92-28) specifically mandates this authority: "The Committee may study (on its own or in cooperation with other public or nonprofit private agencies) ... problems related to the employment of the blind and of other severely handicapped individuals..." Since then Congress has reaffirmed its intent in this regard. For instance, the 92nd Congress said, "There is a definite need to encourage the growth of the Program..." and, "It is expected that [the statutory Committee] will be an active force within the Government in attempting to aid in the sale of products and services produced by blind and other severely handicapped persons to the Federal Government." The 93rd Congress echoed this sentiment: "The [statutory Committee] should encourage Federal installations to consider having workshops perform their service contracts...."

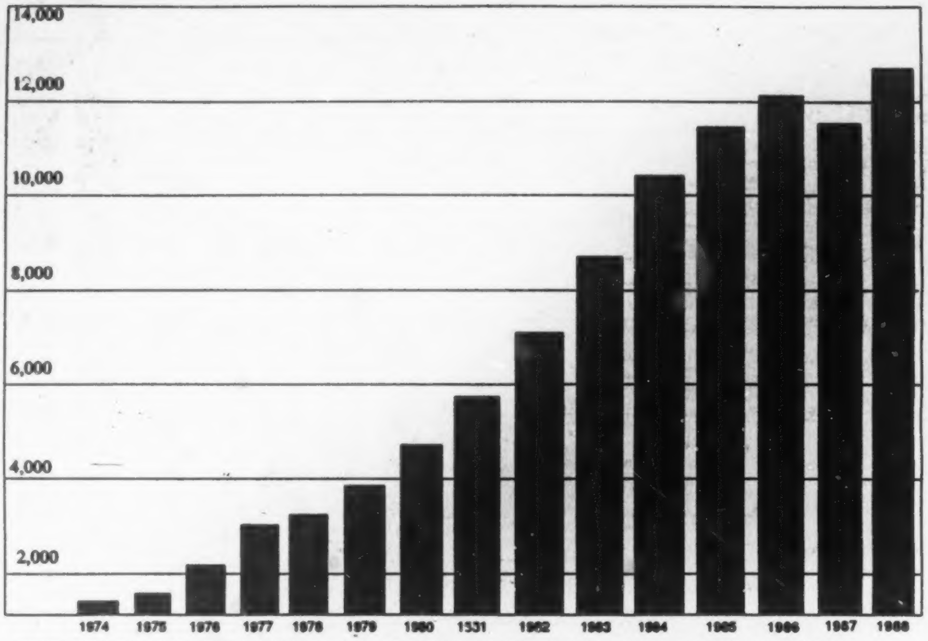
NISH has been actively cooperating with the statutory Committee to brainstorm ideas on how to promote and advocate for the JWOD Program. Just consider the positive impact of some of these promotional/advocacy activities: (1) expanding the distribution of the Procurement List, including making it available on government computer systems, and upgrading its appeal with a graphic catalog-style format; (2) conducting procurement courses on JWOD; (3) producing a video tape on JWOD; (4) developing educational and promotional materials on JWOD: (5) speaking and exhibiting at various procurement meetings; (6) briefing agency heads to encourage their support for the JWOD Program; and (7) giving awards and incentives to agencies to encourage their support for the Program.

CONCLUSION

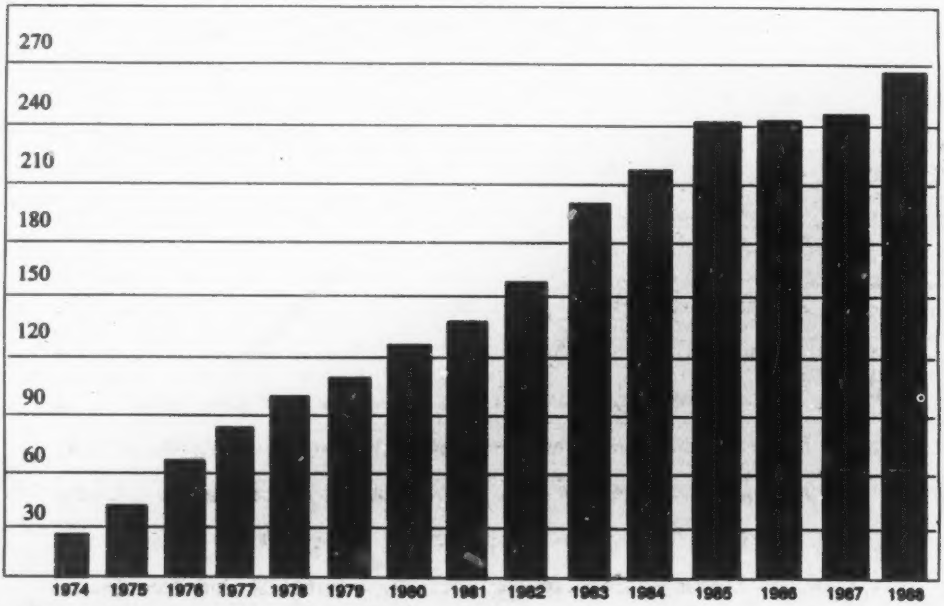
I'm excited when I think about the possibilities for the JWOD Program if only enough resources are made available to staff the statutory Committee adequately and fund some of these wonderful ideas. You know, these efforts at research and promotion are a new course for the statutory Committee, which in the past has concentrated on its administrative functions -- quite ably I might add. But now it's set to take the JWOD Program into a new era to meet the new challenges it faces. Under the dedicated and able guidance of their new Executive Director, Ms. Beverly Milkman, and the continuing leadership of its Chairman, Mr. Frank Gearde, the statutory Committee is eager to be an "active force within the government" in promoting the JWOD Program, as Congress directed during enactment in 1971.

Mr. Chairman, yesterday I had the pleasure of personally meeting Beverly Milkman, and I can tell you that she is epitome of a can-do and caring public servant! It would be a sad waste of her talents and energies if these exciting initiatives were hamstrung by a lack of funding to carry them out. I believe that the promise of the JWOD Program originally envisioned by Congress Members Javits, Wagner and O'Day, is today on the threshold of realizing its full potential. But we must give the statutory Committee the resources they desperately need to carry out the mission of this worthy and effective program.

I know that Congress must balance all competing interests for the public purse, but when you realize how little our $200,000 request is compared to the total federal budget, and see how many severely disabled individuals are helped by so little tax expenditures, then I trust you and your fellow Members of this Committee will positively consider our request. Thank you.

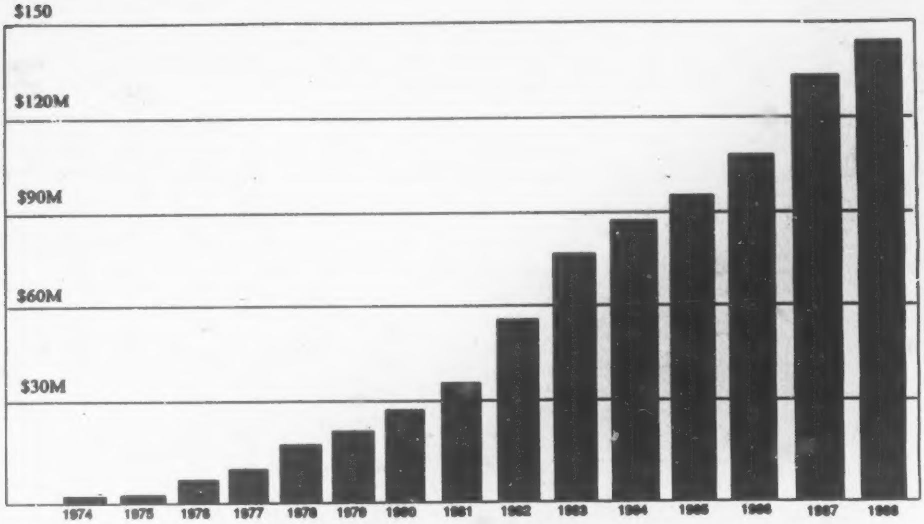


PERSONS WITH SEVERE DISABILITIES EMPLOYED ANNUALLY
1974 - 1988



NO. OF W/C'S* W/COMMODITIES & SERVICES ON THE P.L.
1974 - 1988

* W/C = Work Center



$ VALUE OF SALES (IN MILLIONS) 1974-1988

STATEMENT OF MARK SILBERGELD, PRESIDENT, ALLIANCE OF NONPROFIT MAILERS

Mr. Chairman and Members of the Subcommittee, I am Mark Silbergeld, Director of the Washington Office of Consumers Union of United States and President of the Alliance of Nonprofit Mailers. It is in the latter capacity that I appear before you today. With me is the Executive Director of the Alliance, Dan Doherty.

The Alliance of Nonprofit Mailers is a nonprofit corporation organized under the laws of the District of Columbia for the purposes of providing a forum for nonprofit and charitable organizations entitled to and, in fact, entering mail at the special nonprofit rates; developing and exchanging knowledge on the proper use and management of the nonprofit mailing privilege; educating the citizenry on the role of that privilege and its importance to our society, and finally of formulating and articulating socially beneficial policies concerning the availability, use and management of nonprofit postal rates.

In addition to representing its members and similarly-situated organizations in forums such as this hearing, the Alliance regularly is an active intervenor in proceedings before the Postal Rate Commission and, when necessary, the United States courts. It also is represented on other postal-related organizations, such as the Mailers Technical Advisory Committee.

Alliance programs are financed primarily by voluntary dues paid by its member organizations.

The Alliance, by its own charter, has a special concern with the provision of adequate funding for the so-called revenue forgone account. It is this line item which provides funding to compensate the U.S. Postal Service for carrying certain qualified mail at preferred rates. The largest portion of that funding supports reduced rates for nonprofit third-class bulk mail, nonprofit publications entered at second-class rates and mail entered at the special library rate, the users of which are largely nonprofit institutions.

Under the provisions of the Postal Reorganization Act, these mailers, and others eligible for preferred rates, are required to and do pay postage established so as to recover all the direct and indirect postal costs attributable to them. Revenue forgone appropriations, then, are authorized to cover Postal Service overhead or institutional costs -- the mark-up, if you will. Under the equal mark-up amendment which the Alliance proposed and Congress enacted in Fiscal Year 1986, and which took effect with the general rate adjustments made last April, the revenue forgone requirement is pegged to the mark-up on the corresponding regular rate for each class of mail.

Were it not for that amendment, the Postal Service's estimated revenue forgone requirement for FY 90 would be nearly $580 million greater than it is, according to a recent computation done by USPS in response to a question submitted by Senator Domenici on March 10, 1989. The request, corrected to account for the estimating error in FY 87, is $459,755,000. That is up from the current year's appropriation of $436.4 million.

When put in perspective, the FY 90 request represents an increase of less than one percent over the original post-reorganization appropriation for Fiscal Year 1972 of $457.6 million. And it is more than 45 percent below the level of the Fiscal Year 1981 revenue forgone appropriation of $836.7 million.

Mr. Chairman, we would add to our testimony here today a chart on this perspective, showing the downward trend in revenue forgone outlays over the past decade. It clearly demonstrates that the revenue forgone account has not been a deadweight on the Treasury. The chart was prepared prior to the recent recomputation of the equal markup savings for FY 90, however, and thus reflects an earlier estimate.

We of the Alliance believe that the revenue forgone payment and the public policy on which it is based make a great deal of good sense; more today, perhaps, because of the increased demands being placed on the private, nonprofit sector. An article in the Wall Street Journal of February 14, 1989, makes the point. It said, "President Bush, strapped for cash to pay for social service programs, hopes to make volunteerism a central theme of his Administration, pushing the charitable, private-sector 'points of light' to take up the burden the government has laid down."

Private sector initiatives were talked about a great deal during the past Administration as well. Nonetheless, a report issued last year by the Union for Experimenting Colleges and Universities observed that the sector had been "buffeted by government funding costs, public policy changes, and competition from proprietary businesses" to the point of being "underfunded and it's ability to finance itself...threatened."

Revenue forgone bears directly on the ability of many, indeed most, private-sector nonprofit organizations to finance their operations. It represents, in effect, a lever they can use to raise the revenue needed to fulfill their purposes. Many of the eligible mailers are unquestionably public-benefit organizations with purposes that encompass the relief of poverty, assistance to the distressed and underprivileged, advancement of religion, of science and of education, the promotion of health and social welfare in general, and the lessening of the burden of governments at all levels.

Giving USA, the annual report on philanthropy by the American Association of Fund-raising Counsel Trust for Philanthropy, estimates total giving in 1987 for the U.S. at $93.68 billion. Of that, $76.82 billion, or 82 percent, was estimated to come from individuals. Other estimates would put the mail-influenced portion of the total at about $37.5 billion. In short, mail-related giving is estimated to account for about 40 percent of philanthropic contributions, even when individual gifts are added to bequests and to corporate and foundation grants.

For Fiscal Year 1987, the revenue forgone appropriation share attributable to third-class mail was $457.2 million, not all of it traceable to fund-raising by any means. Even if it were, however, those numbers would point to income of $82 for the private, voluntary sector for each dollar of the public money invested.

And, while third-class mail accounts for by far the largest portion of revenue forgone, the annual appropriation also supports other beneficial activities. In the nonprofit world this includes non-commercial publications that serve to educate the public or, at times, important segments of the population. In Fiscal Year 1987, $42.2 million of the revenue forgone appropriation was attributable to second-class nonprofit publications and another $17.4 million accounted for by library materials, another class largely but not exclusively of benefit to nonprofit institutions.

Let me give you two examples of the benefits derived from the revenue forgone payment.

Consider the American Heart Association, a large and well-known voluntary health organization that annually meets the call to enlist Americans' voluntary instincts. Annually, 2.4 million volunteers join the AHA's efforts to reduce premature death and disability from cardiovascular diseases and stroke. These diseases, in 1989, will cost an estimated $88.2 billion in medical expenses and lost productivity.

More than 30 percent of the American Heart Association's yearly revenues are expended on the support of research. Indeed, two Nobel prizes, in 1971 and 1985, were awarded to researchers the AHA sponsored.

But even the best of research must be reviewed, tested and published. Five quarterly journals entered in the mails at nonprofit second-class rates are published by AHA. Nor does it stop there. Public and professional education and community service programs, including ones that work through physicians, schools and other community-based resources, that teach cardiovascular disease risk reduction also utilize preferred postal rates. Higher costs for mailing would impact the ability of the American Heart Association and its 56 affiliates to carry out these programs. And it is but one example.

Another, considerably smaller organization, which enjoys a well-deserved reputation as a source of information on nutrition, food safety and related health issues is the Center for Science in the Public Interest. It is a nonprofit research and education organization that conducts research and disseminates information to disease-threatened individuals, health professionals, educators and the public at large.

As is the case with most such organizations, it utilizes second- and third-class as well as library rate mailings. In its most recent fiscal year, 15.5 percent of the Center's total budget was for postage. It's executive director estimates that loss of the preferred postal rates would have meant a reduction of 5.4 percent in actual program expenditures in Fiscal year 1988.

Mr. Chairman, I have included material prepared by the American Heart Association and the Center for Science in the Public Interest at the end of my statement for the record.

The revenue forgone expenditure, of course, has diminished since FY 87 by implementation of the equal markup amendment. The amount attributed to nonprofit second- and third-class mailings fell from a total of just under $500 million in FY 87 to $450 million in FY 88 when equal markup was in effect for one-half of the year. The library rate share fell from $17.4 million to $9.4 million.

The Alliance, then, takes the position that the provision of revenue forgone funds in order to permit the Postal Service to continue granting reduced rates to the qualified mail of eligible organizations is sound policy that should be supported at the authorized level.

Mr. Chairman, a word is in order on the pending supplemental for FY 89. We understand that the proposal involves off-setting reductions that, among others, includes one of about $4.8 million in revenue forgone funding.

The Alliance opposes such a cut. Although relatively small, its impact on nonprofit mailers would likely be magnified and, experience tells us, perpetuated.

FY 89 already is more than half over. Were such a reduction to be enacted today, the Governors of the U.S. Postal Service would have to face the question of raising preferred rates in order to make up the loss in the remaining months of FY 89 -- by September 30. What appears, then, to be a small increase in rates would probably be twice to three times as large.

We have been down this road before, in FY 86, and found that the higher rates imposed in that case were maintained into succeeding years.

Implementation of the equal markup amendment last April finally rectified the situation, but now we find a repeat performance threatened.

We thank you, Mr. Chairman and Members of the Subcommittee, for this opportunity to make our case with respect to revenue forgone. The Alliance is appreciative of this Subcommittee's understanding and support in the past. We ask, once again, that you consider the points we have made as you undertake to make the difficult choices that face you.

Finally, Mr. Chairman, I would add that the Alliance of Nonprofit Mailers has a great deal of interest in and concern over the state of the U.S. Postal Service.

The Reorganization Act of 1970 was enacted, in large part, to facilitate the Postal Service's operation as an independent entity operating in a business-like manner. Unfortunately, its ability to so operate was severely restricted by the mandates of the Omnibus Budget Reconciliation Act of 1987, which resulted in significant service curtailments that caught the public eye. But, to the Alliance as mailers, the more severe, long-lasting damage resulted from the strictures placed on the Postal Service's capital improvement program.

Because of concern that the FY 90 Budget proposal threatens a repeat performance; that is, a cut of as much as $2 billion in Postal Service outlays, hitting hard again at capital expenditures, the Board of Directors of the Alliance of Nonprofit Mailers has voted to support legislative initiatives underway in the House (H.R. 982) and the Senate (S.302) that would return the Postal Service to the off-budget status which prevailed from 1974 to 1986. The Alliance Board believes the conversion of the Postal Service's business-like accrual accounting system to the Unified Budget's cash-basis system distorts reality and results in pressures for outlay reductions that have the effect, in large part, of contravening, in a substantial way, the Postal Reorganization Act of 1970.

Again, Mr. Chairman, the Alliance extends its appreciation for this opportunity to express its views in open forum and will be glad to respond to any questions.

REVENUE FORGONE IN PERSPECTIVE

Almost two decades have passed since enactment of the Postal Reorganization Act of 1970, which established the U.S. Postal Service. The PRA continued the policy of providing reduced rates for certain preferred mailers -- qualified nonprofit organizations, in-county newspapers, libraries and classroom publications. To compensate the Postal Service, appropriations were authorized for the "revenue forgone." The provision of reduced rates remains subject to annual appropriations to cover the Postal Service's related overhead costs.

For Fiscal Year 1990, the full authorized revenue forgone requirement, adjusted to correct the FY 87 level of appropriations on the basis of audited mail volume, is $459,755,000.

The FY90 request is less than 1 percent greater than the initial "revenue forgone" appropriation of $457.6 million for FY 1972.

With passage of the "equal markup" amendment that became effective with the last general postal rate increase on April 3, 1988, the revenue forgone requirement -- that is, the level of appropriated tax revenue needed to support the policy -- has been significantly reduced, by about $300 million, according to USPS testimony on February 2, 1989 (House of Representatives, Appropriations Subcommittee on Treasury, Postal Service & General Government).

REVENUE FORGONE APPROPRIATIONS
(IN MILLIONS)
1981-1990

FY	1981	$839.7
	1982	729.9
	1983	789.0
	1984	879.0
	1985	801.0
	1986	715.8
	1987	650.0
	1988	517.0
	1989	436.4
	1990	459.8 (pending USPS request)

February 24, 1989

Mr. Dan Doherty
Alliance of Nonprofit Mailers
2001 S Street, N.W., Suite 510
Washington, D.C. 20009-1109

Dear Mr. Doherty:

I wanted to give you an idea of the impact that the loss of special second, third, and fourth class postal rates would mean for our organization.

As you know, the Center for Science in the Public Interest is a nonprofit research and education organization that focuses on prevention and amelioration of nutrition-related diseases. The Center is a nationally recognized and respected source of information on nutrition, food safety, and related health issues.

Our staff of nutritionists and scientists conducts research, produces written, audiovisual, and computer materials, and disseminates this information to disease-threatened individuals, to health professionals, to educators, and to the general public.

To the great extent that poor nutrition is a cause of or contributor to many diseases, the Center's work lessens the burden of government with respect to providing health care and health research.

In our most recent fiscal year (1988), the Center's budget included expenditures of $2.4 million. Of this amount, $378,000 (15.5%) was spent on postage to send educational materials through the mail. Were revenue forgone expenditures to be eliminated from the federal budget, our costs would have been $132,000 higher for the same postal delivery services. This extra cost would have required a reduction in program expenditures of at least 5.4 percent.

We hope that federal policymakers understand that nonprofits make a significant contribution to social service and other concerns of the federal government. Any federal action that results in lower revenues to nonprofits, as abolition of revenue forgone would, will inhibit the private sector's ability to respond to important social problems and needs that the federal government will otherwise have to face.

Sincerely,
Michael F. Jacobson
Michael F. Jacobson, Ph.D.
Executive Director

The American Heart Association (AHA), a nonprofit voluntary health organization, is dedicated to the reduction of premature death and disability from cardiovascular diseases and stroke. To this end, the AHA sponsors research, public and professional education and community service programs emphasizing the prevention of these diseases. Preferred-rate mail enables the AHA and its 56 affiliates to devote more limited resources to these essential programs.

Cardiovascular diseases and stroke remain this Nation's number one killer, claiming about one million lives a year. More than one in four Americans suffer some form of these diseases at an estimated cost in 1989 of $88.2 billion in medical expenses and lost productivity.

Disease prevention is the AHA's top priority. Since 1949 the AHA has invested over $754 million in cardiovascular research. Over 30 percent of AHA's yearly revenues are used to sponsor promising and sometimes pathbreaking scientific investigations. In 1989, the AHA expects to spend $63 million in research awards. New surgical techniques, lifesaving drugs and even technological breakthroughs have resulted from AHA funded research.

Public and professional education and community service programs are another AHA priority. In fiscal year 1987-1988 these programs, that teach cardiovascular disease risk reduction, reached 8.8 million people. Examples of AHA programs follow. Heart Rx provides physicians with materials for patients on nutrition, control of high blood pressure, warning signs of heart attack and stroke, and smoking cessation. The Physicians' Cholesterol Education Program assists doctors in counseling patients on controlling blood cholesterol levels. Heart At Work increases employee awareness and knowledge of cardiovascular risk factors and encourages behavior change that will lead to risk reduction. Heart Treasure Chest educates elementary school children about the cardiovascular system. The AHA's professional development seminars and meetings provide a forum for top medical researchers, scientists, and physicians to present papers on current developments in cardiovascular medicine. The AHA's five scientific journals publish the results of peer-reviewed research. Four of the journals are ranked in the top five cardiovascular journals. All are within the top ten.

The AHA programs are working. Progress is being made against cardiovascular diseases and stroke. From 1976 to 1986 the age-adjusted death rate from heart attack and stroke fell by 29.9 percent and 40.2 percent, respectively. Medical advances are being made and Americans are improving their lifestyles. Slowly but surely, the battle against cardiovascular

diseases and stroke, America's number one killer, is being won. Part of this progress can be attributed to the savings from preferred-rate mail through the revenue forgone postal subsidy which helps sponsor the aforementioned research, public and professional education and community service programs. As it now operates, the AHA direct mail operation realizes $4.70 in return for each dollar spent.

Without the revenue forgone postal subsidy, the AHA's mailing cost for donations and scientific journals would increase by 40 percent and 25 percent, respectively, diverting limited funds from invaluable programs. Using the November 1988 mailings as an example, a 40 percent increase in third class postage would force the AHA to reduce the number of acquisition prospect mailings by 1.075 million to maintain current budget and fund raising acquisition costs. This postage increase would raise the AHA fund raising costs in the donor renewal program from 12 to 14.5 percent per mailing or 15 percent a year. Also, a 25 percent rise in second class postage would increase the average annual mailing cost of the AHA's five scientific journals by $23,693 or about $1.00 per subscriber, which would be passed on in higher subscription rates. Due to the restricted market for scholarly journals, it is unlikely that these costs could be allocated among a significantly larger audience.

STATEMENT OF SAMUEL J. WALSH, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

The American Legion is pleased to be able to again present its views and recommendations on the funding for the U.S. Customs Service and the Revenue Forgone postal subsidy. This is the seventh time in as many years that we have appeared before this subcommittee on the subject of postal appropriations and the fourth time that the Legion has supported increased funding for the U.S. Customs Service in order to step up its drug interdiction activities. This subcommittee's efforts in both of these areas is deeply appreciated.

Unlike years pass The American Legion can this year express its satisfaction for the administration's willingness to tackle our nation's drug epidemic. The enactment of Public Law 100-690, the Anti-Drug Abuse Act of 1988, and President Bush's commitment to "zero tolerance" with respect to illegal drugs bodes well for our future and offers some hope in eradicating this national blight. The additional resources and manpower for the U.S. Customs Service proposed by President Bush acknowledges the administration's commitment--The American Legion supports these increases and urges the Congress to appropriate the funds necessary to meet the administration's objectives.

In addressing the Revenue Foregone subsidy, The American Legion would like to thank the members of the subcommittee for their continued support in funding the postal subsidy for nonprofit activities.

A wide range of community-based programs, which assist communities and Americans in need, are sponsored by these nonprofit organizations. The American Legion and The American Legion Auxiliary alone contribute millions of dollars annually in ways most citizens are unaware. For example, we sponsor nearly 30,000 young men and 20,000 young women each year in our Boys State and Girls State programs, some 3,600 youth baseball teams, 3,000 Boy Scout troops and 10,000 young men and women in oratorical contests. In addition, The American Legion has awarded more than 10,000 scholarships this past year and assisted an estimated 500,000 veterans in representation on rehabilitation cases. Legionnaires and Auxiliary Members donated more than 400,000 pints of blood to the Red Cross Blood Bank and contributed over 4 million hours of volunteer service to VA hospitals. The American Legion Auxiliary donated an additional 5 million hours of volunteer effort and provided more than thirty million dollars in goods and services to our nation.

The American Legion is proud of its contributions to our society, but we represent just one nonprofit organization contributing to communities. The benefits aacruing the America as a result of the combined programs and activities of the nonprofits are incalculable but most certainly exceed the cost of the Revenue Foregone appropriation. The U.S. Postal Service is our lifeline--increased cost of mailing can only result in a reduced ability to communicate, thereby decreasing our capacity to continue to provide even existing services.

Mr. Chairman, The American Legion strongly urges you and your colleagues to continue adequate funding of the Revenue Foregone appropriation to ensure the continued conduct of the numerous benefit programs provided America by public-spirited groups.

Mr. Chairman, that concluded our testimony. I'll be happy to respond to any questions you may have.

STATEMENT OF THE NATIONAL NEWSPAPER ASSOCIATION

The National Newspaper Association is a national trade association representing the interests of weekly and daily community newspaper publishers throughout the country. Founded in 1885, and with more than 5,000 member newspapers, NNA is the oldest and largest national trade association in the newspaper industry. Most of NNA's members deliver their newspapers through the mail at second-class rates, using the in-county rate for paid circulation newspapers and regular second-class rates for requester newspapers. Many use the Postal Service to deliver advertising products via third class rates.

NNA is pleased to submit for the record in Congress' annual appropriations hearings, this statement on President Bush's Budget submission. There are two issues we address in this statement: the Bush administration's continuation of the Reagan administration's proposal for the revenue forgone appropriation, and the Bush administration failure, to date, to rectify the mistake made by the Reagan administration several years ago when it brought the Postal Service back on-budget.

I. THE REVENUE FORGONE APPROPRIATION.

A. Need for Full Funding.

NNA strongly supports full funding for the revenue forgone appropriation for fiscal year 1990.

Roughly five percent of the revenue forgone appropriation supports the in-county second-class postal rate, and that rate is vital to the continued vitality of many local newspapers. Since the Postal Reorganization Act was passed in 1970, in-county postage has skyrocketed roughly eight times faster than inflation. Since 1970, in-county postage has increased by more than 1600 percent, while inflation has increased by only 220 percent. This sharp increase has been a significant contribution to the failure of a number of small newspapers. The threat of continued increases threatens others. In all cases, the continued risk of unpredictable rate increases makes it extremely difficult for publishers who rely on these rates to do any intelligent long-term planning.

In 1986, for example, small newspapers suffered three rate hikes in one year with in-county rates rising by up to 100 percent and out-of-county rates by up to 180 percent. Since postage is one of the major costs of publishing a community newspaper, such rate instability makes it very difficult for publishers to consistently provide, at a reasonable cost, the local news and other information that their communities need.

The benefits local newspapers provide to their communities are numerous and unique. No other mass communications medium comes close to providing the services local newspapers provide, and no other medium is closer to its community. If one could attach a value to those services, the sum of the funds expended yearly on the revenue forgone appropriation for the in-county rate would pale in comparison to that value.

Publishers who use the in-county rate are primarily those who focus on local concerns, and the in-county rate may be used only to reach local subscribers. Further, the in-county rate is used only by small publications since it is generally limited to publications which have more than half of their circulation within the county of publication.[1] The in-county rate is generally not used by large urban newspapers, which are usually delivered by carrier and not through the mail.

Raising postal rates for small newspapers forces those newspapers to cut back on their services. Every time one of them is forced to cut editorial services (or in the worst case scenario, to stop publication completely) a community loses a voice, an information source, and a vital socio-cultural link that holds the community together.

B. Newspapers' Contributions to the Community

Since colonial times, Congress has recognized the vital role that local newspapers play in providing a foundation for their communities. In the years America was first being settled, newspapers were a civilizing influence in the nation. Like the post office and the general store, the local newspaper gave area residents a sense of belonging to a recognized group. In rural areas where people could not keep in close contact with their neighbors, newspapers provided news of births, deaths and marriages.

This has not changed in most of the country, despite the proliferation of the electronic media. There is no electronic equivalent of the community newspaper, and no other media provide the same type of information.

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[1] The in-county rate may also be used by any publication under 10,000 paid circulation.

Community newspapers serve as town bulletin boards and as a socio-cultural bond within their community. Public service groups such as the Red Cross rely on local newspapers to announce times and locations for health screenings, blood donations, and other gatherings. Social service agencies use the newspaper to alert area residents about the services available to them. Local chapters of civic organizations such as the Kiwanis and Lions' Club use the newspaper to announce meetings and fund-raising drives, as do self-help groups like Alcoholics Anonymous. Residents rely on the community newspaper to provide them with information about school schedules and bus routes, proposed town construction projects and similar information that significantly affects their daily lives.

The community newspaper also contributes to the literacy of our nation. During the early years of our country's development, newspapers were often the only home source of reading material other than the Bible. Writers like Mark Twain began their literary careers by writing for local newspapers. Today, local newspapers still recognize their responsibility to support literacy efforts and many provide newspapers and other teaching aids to their local schools free of charge.

Community newspapers give teeth to state and local open meetings laws by publishing schedules of town, county and school board meetings and printing reports of those meetings after they are held. If local newspapers were unable to provide this service, no regional paper would generally do so because those meetings would not be of sufficient concern to residents outside the community to merit space in the larger newspaper despite the fact that the information is vital to the proper functioning of that local community.

Regional newspapers would also be unlikely to carry detailed information about a small town's bond issues, tax proposals and election campaigns. Voters would be forced to make important choices for their communities with little information. Local newspapers not only provide information about such issues in articles, but also provide a forum for area residents to discuss these issues through its editorial pages.

Federal, state and local governments require the publication of various public or legal notices in area newspapers. In many parts of the country, those requirements can only be met by publication in the community newspapers that use the in-county rate. If these newspapers are forced to pay higher postal costs, and to raise their advertising rates to pay for them, the end result in many states will be that governments will have to pay more for their legal notices.

Cutting revenue forgone appropriations injures more than a local business; it affects the entire community which the newspaper serves. Area residents obtain less information about the services available to them. Charities and service groups have fewer opportunities to publicize their fundraising events. Local governments have less oversight from voters. Area merchants lose their best advertising forum. High school sports teams no longer have a place willing to publish the scores of their games. There is no place for features about the local student who won a prize at the science fair or the sixth-graders who cleaned up an area park. None of these things are newsworthy to residents of other communities, only to the people in that community.

C. Effect on Newspapers of Losing the In-County Rate

If revenue forgone were eliminated as the Reagan Administration originally proposed, second-class in-county postal rates would increase. Even a freeze at FY 1989 levels means an increase higher than that contemplated by the existing statutory structure.

If newspapers are forced to pay higher rates, many will have to reduce their editorial services and cut down on coverage of local events. Others will be forced--if they can--to raise subscription rates, an action which harms poor subscribers and those on fixed incomes disproportionately. Some newspapers might even be forced to close their doors.
There are fewer and fewer independently-owned newspapers in small communities. This is because the costs of serving small towns are greater than the costs of serving larger ones, and the economies of scale and scope available to larger newspaper groups help counter those higher costs. Increasing postal rates would exacerbate that trend.

Each new rate increase brings with it the very real threat of more newspapers selling out to chains or closing their doors completely. Many of our members are family publishers. Some have two or three generations working together on their community newspaper. They work long, hard hours getting the paper out. For them, it is more than just a family business. It is a way to contribute to the life of their community. When these small, independently-owned newspapers cut back or go under, the community loses more than just a voice, it loses its voice.

II. RETURNING THE POSTAL SERVICE
TO ITS FORMER STATUS OFF-BUDGET

Because our members rely so heavily on the Postal Service, we are very interested in the recent proposals to return the Postal Service to its previous off-budget status and we strongly endorse these measures. NNA is also very concerned that the proposal did not become law in the last Congress, and urges Congress to pass the proposal in this session.

Keeping the Postal Service on-budget distorts the federal deficit picture in at least two ways. First, the Postal Service's on-budget status means that all the operating revenues and expenses of the Postal Service are figured into the federal deficit. As more fully explained below, this either overstates or understates the federal deficit picture, depending upon the financial situation of the Postal Service.

Second, because of the fashion in which the federal government keeps its books, every dollar the Postal Service commits to future capital projects results in a dollar being added to the federal deficit in the current year. This occurs despite the fact that the dollar will come from postal revenues rather than tax revenues.

A. Operating Expenses.

The Postal Service, for practical purposes, pays for itself "out of the stampbox," as Postmaster General Frank has said. The Postal Service is statutorily required to break even, and does so on an approximate three-year financial cycle. During those three years, there are both periods of surplus and of deficit. In neither case is the federal budget truly affected, since tax dollars do not contribute to the postal surplus and are not called for to rectify any postal deficit. Consequently, during years that the Postal Service runs a surplus, the real federal deficit is understated on paper. Conversely, during years that the Postal Service runs a postal deficit, the real federal deficit is overstated on paper.

The relationship of the federal government and the Postal Service is similar to that of a corporation and a wholly-owned subsidiary. A parent and a subsidiary are two entirely distinct entities with separate operating budgets, balance sheets, and accounting systems. The operating revenues and expenses of the subsidiary do not show up in the parent's profit and loss statement. Yet the operating revenues and expenses of the Postal Service, a wholly-owned subsidiary of the United States government, show up on the government's profit and loss statement. This makes no sense.

Moreover, keeping the Postal Service on-budget not only distorts the public's idea of the magnitude of the real federal deficit, but also puts the Postal Service, and its users, at the mercy of political maneuvering unsuited to an organization set up to break even and serve the public. Removing the Postal Service from the federal budget will allow it to run as the 1970 Postal Service Reorganization Act intended it to be run: on a business-like basis separated from the political arena.

B. Capital Accounts.

The Postal Service's budget, like that of most businesses, is based upon an accrual accounting method. The federal government, however, operates on a cash-basis accounting method. In order to reconcile the two, when the Postal Service is figured into the federal system, the Postal Service's capital expenditures are treated as if they were current expenses in the particular year in which they occur, and had no useful life. By treating these expenditures in this manner, instead of depreciating them over the life of the capital improvement, all Postal Service capital spending adds significantly to the Federal deficit. This gives Congress a significant incentive to discourage (or outright prohibit) the Postal Service from building new facilities and making other capital expenditures to provide better service for all mailers.

Postmaster General Frank has pointed out that the Postal Service is faced with tremendous growth in the number of mail pieces it must move through the system. This growth in mail volume places a severe strain on older facilities, creating a great need for new buildings and automated equipment to handle the volume. The Postal Service needs to spend its capital funds. Congress should not prohibit it from doing so.

In summary, the Postal Service should not be subject to manipulation in order to produce illusory deficit reductions. In reality, only the efficiency of the Postal Service is reduced by such maneuvers. Not only business mailers, but all Americans who use the mail suffer needlessly.

STATEMENT OF ROBERT KING, EXECUTIVE DIRECTOR, MOTHERS AGAINST DRUNK DRIVING

Mr. Chairman, I am Robert King, Executive Director, Mothers Against Drunk Driving (MADD). I am also testifying on behalf of the Nonprofit Mailers Federation, a national grass roots network of more than 500 nonprofit organizations, of which MADD is a member of the Board of Directors.

MADD offers an example of how the educational approach to a serious drug problem through direct mail can pay significant dividends in a relatively short period in the areas of behavior modification, better laws and law enforcement, and, most importantly, lives saved.

Since its founding in 1980, the mission of MADD has been:

to mobilize victims and their allies to establish the public conviction that drunk driving is unacceptable and criminal in order to promote corresponding public policies, programs and personal accountability.

MADD has been striving to accomplish this goal and to save lives that might otherwise be needlessly lost to alcohol- and drug-related tragedies on our highways. It has been gratifying to see changes that have been occurring, both in attitudes and behavior and in public policy, since 1980.

It is now commonplace for a host to arrange for taxi service to drive guests home after a party, and it is increasingly common to see a bartender hail a cab for a patron he poured drinks for all evening.

Millions of Americans have become so sensitized to the irresponsibility and sheer stupidity of driving after consuming even a moderate quantity of alcohol that groups of friends now routinely designate one person to refrain from drinking altogether at an outing where alcohol is consumed. The designated driver has quickly become an accepted part of America's social behavior.

Most significant is the change in the number of fatalities that result from drinking and driving. Since 1982, there has been a 17 percent reduction in the number of drivers involved in fatal crashes whose blood alcohol level was considered legally impaired.

From a total of 28,000 alcohol-related traffic fatalities in 1980, the yearly toll has declined to 23,630 in 1987, the last full year for which data are available.

While MADD alone does not claim total credit for the dramatic change in attitudes and behavior toward drinking and driving in the 1980s, no one questions the fact that MADD's public awareness and education programs have contributed significantly toward an accomplishment that, until MADD's creation, seemed impossible to achieve.

Not to boast, but just to demonstrate the potential of alcohol and drug education and public awareness, MADD has created in a few short years one of the highest "name recognition factors" of any organization in the country.

MasterCard conducted market research and a name recognition study as part of its "Choose To Make a Difference" program. It used the findings to decide which charities to designate as recipients for a donation from profits on credit card purchases.

MasterCard's study indicated that MADD enjoyed the highest name recognition factor--almost 98 percent--of any agency or personality that year.

It is also clear that a very large percentage of the population knows what MADD stands for and what we do. Gallup discovered that the three organizations that people could most often correctly describe in terms of what they do are: MADD, NAACP, and the American Medical Association, in that order.

Although MADD is the youngest of the three, 58 percent of the random, statistically reliable sample correctly described MADD's mission and program, at least in general terms.

Poll results like these substantiate the value and effectiveness of public awareness campaigns such as MADD's, but they could not have been achieved through public awareness and education without the benefit of nonprofit mail rates.

MADD has focused not only on changing the attitude and behavior on an individual level through direct education but also on improving public policy at both the state and federal level.

One of MADD's earliest goals was to seek enactment of a nationwide minimum drinking age of 21. In 1980, only 14 states had a minimum legal drinking age of 21.

In 1984, MADD and other concerned groups succeeded in working toward the enactment of P.L. 98-363, the national minimum age drinking law, to withhold federal highway funds from any state that refuses to enact 21 as the minimum drinking age.

Since then, all 50 states have enacted 21 as the minimum legal drinking age. The higher drinking age constitutes the strongest force contributing to an absolute reduction in the number of alcohol-related traffic fatalities between the ages of 15 and 19.

Between 1982 and 1987, alcohol-related traffic fatalities in this age group declined 21 percent, from more than 4,100 to less than 3,300. An estimated 4,500 lives have been saved during this period by the higher drinking age laws, according to the U.S. Department of Transportation.

For the population as a whole, there is also improvement, although it is not as dramatic. While traffic fatalities from all causes increased 5 percent from 1982 to 1987, alcohol-related traffic fatalities declined by a little more than 6 percent.

Through implementation of more effective countermeasures, such as those included in the federal, Drunk Driving Prevention Act of 1988, we anticipate even further reduction in these needless losses.

Finally, MADD is also focused on better enforcement of the laws that are on the books both through cooperative involvement with law enforcement efforts, such as sobriety checkpoints, and through court monitoring in order to observe application of DWI laws to individual cases.

Currently, MADD supports a pilot project in three locations to determine the deterrent value of a relatively new concept, "victim impact panels," on the DWI offender.

This approach encourages the courts to require that DWI offenders attend a forum to listen to the stories of victims--both survivors and the loved ones of non-survivors--in order to hear firsthand how the crime of drunk driving has devastated lives. Early studies show the program to be successful in discouraging repeat offenses.

None of these programs--behavior modification, enactment of better laws, or stronger law enforcement--would have been possible without revenue foregone. Education costs money, and MADD has to raise money in order to pay for our public awareness and education campaign, much of which is conducted via the mail.

Mr. Chairman, during the 1980s when revenue foregone was under heavy attack from the Office of Management and Budget, you have been an advocate of self-help through affordable bulk mail rates for the private nonprofit sector.

On many occasions, you and this Subcommittee have meant the difference for worthwhile programs, such as MADD's, between going forward or shutting down. For this, we are sincerely grateful.

I know this is a bit like preaching to the converted, but I only mean to show you that we have been good stewards with your support, and the taxpayer's funds have enabled us to use the mail for MADD's civic and educational mission.

Despite our success, the alcohol- and drug-impaired driving problem is still deadly:

* Nine teens die every day from alcohol-related fatalities.

* One half of all traffic fatalities involve alcohol.

* One quarter of all drivers in fatal crashes are legally drunk.

MADD's educational task thus remains of the utmost urgency.

Direct mail enables MADD to raise the funds to focus the attention of individuals, legislatures, and the judicial system to do something about this senseless loss of life. Direct mail is the vehicle by which MADD and other nonprofit citizen activist groups conduct vital public awareness and education campaigns.

Every one percent increase in nonprofit mail rates means diverting an equal amount from the program budget. Stable nonprofit mail rates are a necessary ingredient to a continuation of our accomplishments and to saving lives.

Full funding of revenue foregone will stabilize nonprofit mail rates. It's not an insignificant sum, just under $460 million for fiscal year 1990, but the return in just one example, that of MADD, is immeasurable--how do you value a life? Yet four fewer people will die today and on each day on the nation's highways from impaired driving than would have died seven years ago.

On behalf of the many who will die needlessly until this work is finished, and on behalf of those who are alive today because of MADD's work, I urge you, Mr. Chairman, to work vigorously once again for full funding of revenue foregone.

STATEMENT OF SALLY WELLS, SENIOR VICE PRESIDENT FOR DEVELOPMENT, WETA TELEVISION

Introduction and Summary of Request

The National Association of Public Television Stations is pleased to provide testimony in support of a fully funded revenue foregone non-profit mail subsidy program. Our members, the nearly 300 public television stations throughout the country, are grateful for the support of this Subcommittee for recognizing the need for this support to all non-profit organizations and for turning back requests from the Administration for the last several years to eliminate the subsidy. We have been pleased to work with the Alliance of Non-Profit Mailers on helping in this campaign.

The nation's public television stations depend on the postal service to augment their on-air programming and services to their communities. All non-profit and non-commercial entities, these stations utilize second, third, and fourth class non-profit postal rates to help fulfill their mission to provide important educational, cultural, and informational programs to the nation's homes and classrooms. Program and teacher guides, fundraising solicitations, and taped and printed educational materials are all sent by public television stations using the non-profit federal postal subsidy.

If the revenue foregone subsidy is phased out entirely, as proposed in the Administration's current FY 1990 budget proposal, stations would face a 50% increase in their total postal costs and untold escalating costs in the years to come. The estimated $8 million that stations would have to commit to increased postal bills would result in cuts in their local or national programming schedules, educational services, or outreach efforts.

Viewer information needs require reduced postal costs

An important part of fulfilling our federal mandate and maintaining viewer support for public television is the mailing of station program information and viewer and teacher guides. These guides are the primary non-broadcast means of keeping viewers informed, as well as of meeting the requirements of the Public Broadcasting Act to develop public awareness of public telecommunications services.

As competition from other video programmers for viewers increases, efforts in program promotion have become crucial to public television's success. In terms of station budgets, however, what little funds there are for promotion of programs are among the first that must be cut in times of tight money. In addition to serving as a special bonus for members or contributors to public television stations, station guides serve as the best tool for maintaining and expanding the audience for quality television viewing.

Stations mail nearly 65 million guides to viewers annually at a cost in postage of about $6.5 million. Increases in second class postage rates have caused a number of stations to switch to third class mail for their viewer guides. Although less expensive, third class mail is less reliable for the delivery of this time-sensitive material. The stations make a sacrifice either way -- they pay more and make adjustments elsewhere or take the lower rate and pray for timely delivery.

Postal rates are important fundraising fact r

Public television stations nationwide would not exist without the support of viewers who contribute to their mission. The support from these "subscribers" or "members" of public television stations comprise the largest sector of public television's income. Between 1979 and 1987, public television's total income from subscriptions more than doubled. During the same time, tax-based support did not keep pace with inflation. Over 21% of public television's operating funds, or over $220 million, comes from these individual contributions.

While the public television "pledge period" or "festival" is the most visible form of fundraising, many stations in recent years have experimented with cutting back on the number of pledge breaks on the air if fundraising goals are met by direct mail solicitations for new supporters early in the fundraising period. This has meant, and will continue to mean, an increasing reliance by public television stations on reasonable second and third class non-profit postal rates.

The fundraising process does not end when the pledge phone rings. While on-air fundraising is recognized consistently as the best means to attract new members to individual stations, the fundraising effort seen on the air must be accompanied by follow up through the mail to retain memberships and seek new ones. Nationally, public television expects to spend over $5 million in FY 1989 on more than 60 million letters and follow-up materials mailed at the third class non-profit rates.

Public television stations also use fourth class mail, sending virtually thousands of audio and video tapes and printed educational materials to schools, other stations and other public institutions. Over 200 public television stations provide in-school instructional television programming on the elementary and secondary school levels. Nearly 600,000 teachers annually receive necessary schedules, teacher guides, and instructional television newsletters sent at the fourth class rate. We estimate that nearly five million mailings are affected by fourth class rate increases.

Increases in postal rates that public television stations as well as other large and small non-profit institutions have had to swallow in the past have caused serious problems. Fluctuations in postal rates make it difficult for fundraisers to plan their budgets and activities. In non-urban areas, rate increases do not "pay for themselves" with more successful responses, since stations do not mail solicitations outside their viewing area and thus cannot increase their contributor base.

Rate increases affect each station's ability to provide service

The total public television system's postal figures are devastating enough, but taken on a station-by-station basis, what may seem like a small amount of money represents programs, personnel, services, and the overall excellence that each station wishes to continue.

WETA, Washington depends heavily on the mail to sustain its operations. In addition to serving the D.C. area with programs of local significance, WETA is a premiere producer of public affairs programs that are distributed to stations nationally. WETA can only produce these programs for the rest of the country, however, because of the strong local support they receive, particularly through membership contributions. These contributions comprise 57% of their budget. 75% of their total contributions come from mail campaigns and 25% through on-air solicitation. WETA's cost in postage for monthly program guides and fundraising mail totals $460,200. A doubling of these costs would be felt in nearly every department at the station.

Nearby Maryland Public Television (MPT) is another heavy mail user. MPT spends some $70,000 annually on second class mail, sending 835,000 fundraising and solicitation pieces and 73,649 program guides. As the station continues to emerge as a national program producer, their reliance on local support will heighten.

At the Nebraska Network, over $60,000 per year is spent on mailing program guides and fundraising solicitations. In Arizona, KAET, Phoenix, spends $51,600 annually to send monthly program guides to 52,000 members of the station. KUAT in Tucson spends over $14,000 in second class mail just to send out membership renewal notices.

For the smaller non-commercial station, the total postage costs may not be as great, but the effect of increasing them is just as difficult. Station KENW in Portales, New Mexico, with its relatively small membership of 3,500 will spend $6,000 this year to send out program guides and fundriasing notices to its "Friends" group of supporters. At KRWG in Las Cruces, less than $2,000 will be spent this year on program guide and fundraising mail. The station has never done any targeted, direct mail campaigns, but is looking into direct mail as a fundraising option to pursue in the coming years. Certainly, the price of postage will be factor in determining how the station plans to proceed.

Conclusion

We urge this Subcommittee to do all in its power to recognize the widespread harm that would result from the elimination of the postal subsidy for non-profit mailers. Public television stations would be among the countless organizations that would suffer in their fundraising efforts and their daily business. Our stations have made great strides to encourage more and larger contributions form the public they serve, and any move to restrict their fundraising efforts so severely would undercut further growth.

We ask the Subcommittee to appropriate funds sufficient to maintain current postal rates. We thank the Subcommittee for its efforts over the last several years to deny attempts by the Administration to eliminate the subsidy.

STATEMENT OF DALE STEIN, PH.D., PRESIDENT, MICHIGAN TECHNOLOGICAL UNIVERSITY

Thank you, Mr. Chairman, for the opportunity to testify before the subcommittee today.

I am Dale Stein. I am President of Michigan Technological University. Michigan Tech, located in the Upper Peninsula of Michigan, is one of the largest engineering schools in the nation. We enroll 6,500 students, with more than 4,000 studying engineering. Among American universities, we graduate the largest number of metallurgical engineers and mechanical engineers. In addition, we will conduct sponsored research of more than $12 million in the coming year, with approximately $2.5 million of that in the minerals and materials area.

I appear before you today to testify on the subject of the fiscal year 1990 appropriations and the need for continuing federal support of research and development efforts in the area of strategic and critical materials.

The United States is dependent upon imports from South Africa, Zaire and the Soviet Union for its supply of chromium, cobalt, manganese, and platinum group metals. These metals are essential to the production of high-temperature alloys, steel and stainless steel, industrial and automotive catalysts, electronics and other technologies critical to the U.S. economy and our national defense. With a few exceptions, there are no domestic mines which produce any of these metals. This leaves the U.S. economy vulnerable to supply disruptions that may arise during periods of international conflict such as political disturbances, strikes or changes in government. The Strategic and Critical Materials Stockpile Act authorized the acquisition and retention of certain strategic and critical materials. The quantities of materials stockpiled are to be sufficient to sustain the United States for a period of not less than three years during a national emergency situation. However, the mere stockpiling of materials will not be sufficient to protect American industry from disruption of the supply of critical and strategic metals from foreign sources.

Recently the federal government has begun to recognize this deficiency and has supported a few centers at universities that conduct research and development designed to produce a long-term lessening of American dependence on foreign suppliers. There is a clear need for research and development of new materials and recycling of existing materials. Michigan Tech believes this approach is crucial to America's competitiveness in the industrial market and to obviate the risk of disastrous consequences due to supply disruptions in the international community.

In response to this need, Michigan Tech has developed an integrated research center for advanced materials and minerals development and processing --the Center for Applied Metallurgical, Minerals and Materials Research.

The Center for Applied Metallurgical, Minerals and Materials Research will promote technological research and education through a unique interdisciplinary program. Combining the interrelated activities of the Departments of Metallurgical Engineering and Mining Engineering, and the Institute of Materials Processing, the Center will address the processing of raw materials, and the development, processing and fabrication of common and novel engineering materials.

The Center is estimated to cost $47.7 million. Our State of Michigan has committed $27 million for construction of the Center, and the University with its corporate partners will be providing $8.9 million for equipping the Center's research laboratories. We are seeking federal support of $11.8 million for construction and equipment. This Center as planned will have unsurpassed capabilities for minerals and materials research. We believe the requested federal support will be an excellent investment in the effort to improve industrial competitiveness and to reduce our dependence on vulnerable sources of raw materials. We respectfully seek the support of this Committee.

Thank you for your kind attention and I will be pleased to answer any questions you may have.

STATEMENT OF JOHN A. KNEBEL, PRESIDENT, THE AMERICAN MINING CONGRESS

The American Mining Congress (AMC) would like to include the following comments in the hearing record on the National Critical Materials Council. The Treasury, Postal Service, General Government Subcommittee held a hearing on April 4, 1989, on this issue.

AMC is an industry association that encompasses (1) producers of most of America's metals, coal, and industrial and agricultural minerals; (2) manufacturers of mining and mineral processing machinery, equipment and supplies; and (3) engineering and consulting firms and financial institutions that serve the mining industry. I appreciate having the opportunity to present AMC's statement for the hearing record in support of continued funding of the activities of the National Critical Materials Council.

The Council was established by Congress in 1984 to be a focal point for addressing all materials issues in the Executive Branch and to serve as a coordinating/analytical body for minerals and materials policy. AMC supported establishment of the Council as well as adequate funding to enable the Council to carry out and fulfill its important mandate.

In spite of extensive restructuring by the domestic mining industry, the United States has suffered a deteriorating position in global minerals trade and is increasingly vulnerable in its dependence on imports. There has been no lack of mineral and material policy studies over the years. Several have been issued by both the Legislative and Executive branches of the federal government. All of the studies acknowledge the national significance of an adequate mineral supply and importance of a strong domestic mining industry.

After a dozen years of effort, Congress enacted the Mining and Minerals Policy Act of 1970. The statute established a national value of domestic mineral production. Congress clearly intended that the individual and collective impacts on the mining sector of other national priorities be evaluated completely and carefully in full recognition, both of the importance of mining and the consequence of contemplated federal actions.

The Mining and Minerals Policy Act has failed to fulfill its purpose and objective. Recognizing that further direction for federal materials and minerals policy was necessary, the Materials and Minerals Policy, Research and Development Act was enacted in 1980.

Through the course of its experience with implementation of the 1970 and 1980 acts, it became apparent to Congress that no single federal entity in the Executive Branch had the authority for coordinating and analyzing critical materials policy. In 1984, the Congress enacted the National Critical Materials Act. AMC was a vigorous supporter of the legislation and in particular for the provision creating the three-member National Critical Materials Council.

AMC, on its own initiative and in concert with other interested organizations, has submitted various recommendations to the Council. The recommendations have included coordination and analysis of issues such as mine waste, land use/mineral availability, regulatory environment, trade and materials trends.

To date, little has been done to implement the National Critical Materials Act. For whatever reasons, the Council has been reluctant to implement the will of Congress and efforts have been continually made to abolish the Council and hamper its effectiveness. The primary responsibilities of the Council have been delegated or assumed by other federal government entities. The Council has not utilized the money authorized by Congress to fully staff it.

The Council was formed to, among other responsibilities, provide the President with analysis and recommendations on materials and minerals policy and legislation. The National Critical Materials Act mandated a biennial national program report to include long range assessments of prospective major critical materials problems and advice as to how the problems may best be addressed. The Critical Materials Report released in October 1988 made no recommendations and we are unaware of any analysis or recommendations provided to the President.

The mining industry wants to see the Council fulfill its mandate with adequate funding and staffing as originally envisioned by Congress. AMC does not agree with the Administration's position that the line agencies and established functions in the Executive Office of the President will assure viable, effective, coordinated minerals and materials policies and programs, since this has not been our experience to date. We need a strong independent body that will be fully funded and able to provide effective leadership.

The National Critical Materials Council should be given a chance to prove its worth and the American Mining Congress urges the Subcommittee to provide the Council with adequate funding to enable it to fulfill its original mandate.

Thank you for giving us this opportunity to present AMC's views on the National Critical Materials Council.

STATEMENT OF FATHER JOSEPH SELLINGER, PRESIDENT, LOYOLA COLLEGE OF BALTIMORE

Mr. Chairman, I am Joseph Sellinger, President of Loyola College located in Baltimore, Maryland. I am here today to present to the Subcommittee a progress report on the development of the Center for Advanced Information and Resource Management Studies at Loyola College, and to request the final phase of the federal contribution to this facility.

The Loyola Center: A Response to the Resource Information Problem

Mr. Chairman, last year, Loyola College presented to your Subcommittee a proposal for a federal, state, university funding partnership to construct and equip the Center for Advanced Information and Resource Management Studies. A copy of the original proposal is furnished with this testimony. The Center is a state-of-the-art academic and research facility which is designed to serve as a research and education resource to federal agencies concerned with the management and technology needs of the Strategic and Critical Materials Stockpile, and other federal agency management and educational training needs.

The Center for Advanced Information and Resource Management Studies was developed, in part, in response to the need expressed in an Office of Technology Assessment Report issued in 1985 which called upon the Federal government to play a key role in:

1) providing sponsorship of a substitution information bank designed to collect and analyze information pertaining to the development of better data on domestic minerals;

2) re-examining trends in strategic materials recycling and conservation, and

3) assessing the changing circumstances that may affect strategic materials import vulnerability.

Clearly, Mr. Chairman, the ability of the United States to utilize its strategic materials stockpile depends upon the efficiency of those who collect, store and disseminate the current data available. As research in this area continues to expand, the management of materials research data has become a problem of considerable concern and one which, if not expeditiously addressed, could hamper our nation's defense capabilities in times of emergency or war mobilization.

Helping the Stockpile Meet its Mission

Mr. Chairman, when fully operational, the Loyola College Center for Advanced Information and Resource Management Studies will be in a position to provide mission support to the Strategic and Critical Materials Stockpile, particularly with respect to its information technology and education and training needs. In doing so, the programs and curricula which will be developed by this Center will provide both future and current federal agency workers and managers with the necessary skills to manage, operate and disseminate critical data expeditiously and effectively. The Center will have three distinct aims in this area:

1) The Center will improve information technology literacy through the integration of the curricula.

   o The new Center will offer a multi-disciplinary program integrating existing programs in management and engineering for the training and development of federal employees.

   o The focus of the information resource management program will be the promotion of data management through familiarity with technical systems development, utilization, and improvement.

2) The Center will develop a private sector - university -government partnership to establish a national clearinghouse and systems modernization plan for the management of critical materials information as a demonstration of an active technical information dissemination and control center;

   o The Center will serve as a resource clearing house providing instructional support services through a large selection of micro computers, access to online databases and interactive computer systems.

   o Establish information resource management services to facilitate the collection and analysis of data related to national defense and industrial production of critical materials.

- The Center will seek to establish an active international critical materials stockpile inventory.

3) The Center will facilitate the training of the current and future federal workforce through shared facilities, equipment training and specialized information management training programs.

  - Provide computing and training facilities and programs geared to federal systems modernization needs for both current and future federal agency workers and managers.

Loyola College is now in the process of initiating discussions with the Defense Logistics Agency concerning the use of the Center's research, computer and education resources to meet the needs of the agency in managing the Strategic and Critical Materials Stockpile.

Why Loyola College in Maryland?

Mr. Chairman, Loyola College is uniquely positioned to establish a center which will act as a regional and national resource for materials information and federal employee management training and education. Loyola College has decades of experience in working with federal agencies and private contractors working with federal agencies such as the Department of Defense. Loyola College may be the only school in the nation with a specialized advanced curriculum in areas such as management, engineering, computer sciences, mathematical sciences, and information management designed specifically for the professional development of future federal employees and for continuing education and training for present federal employees and managers. Given the specialized areas of expertise required by defense related agencies and the technical data familiarity necessary in critical departments of government, Loyola has focused on special fields of study and research such as cryptography, mathematical analysis of transmitted data, computer mathematics, and analysis of date reliability.

The Center: A Federal-State-University Partnership

Mr. Chairman, in the development of the Center for Advanced Information and Resource Management Studies, Loyola College has made a firm commitment to address the current and future needs of the Federal government's information management modernization plans. The completion of this facility is critical to a number of contracts which our college now has underway with the National Security Agency and the Social Security Administration. For this reason Loyola College has pursued State of Maryland funding, private funding and has made an institutional commitment of nearly $7.5 million toward the construction and equipping of the new Center. Because of the new Center's contribution to the Federal government and its agencies, both with respect to the Strategic and Critical Materials Stockpile and generally, we requested a federal grant last year in the amount of $6.5 million to match the State, private and university contributions to the new facility.

Agreement on Expenditure of FY 1989 Federal Grant -- Phase I

Mr. Chairman, in response to our request last year, your Subcommittee provided us with a grant of $3,000,000 in the Fiscal Year 1989 Appropriations Bill. Since the receipt of that appropriation, Loyola College has worked cooperatively with the Defense Logistics Agency, which is administering the grant, and has come to an agreement with the agency on how the first phase funding will be spent on the facility. Correspondence between the Defense Logistics Agency and Loyola College furnished with this testimony provides further details on the precise use of the federal funds.

Mr. Chairman, in summary, the FY 1989 funding is being used to support Phase I of the development of the Center for Advanced Information and Resource Management Studies. The Phase I federal funds are being used to partially match the $2,000,000 grant received from the State of Maryland for this purpose, and the $3,000,000 capital investment of the College, as well as contributions from private industries in the Baltimore-Washington area. All of the federal monies are being used to defray the cost of construction and equipping the Center. Specifically, the funds have enabled Loyola College to build electronic classrooms with state-of-the-art computer and information teaching capabilities and to begin the project of networking the new Center with the campus' other main research and academic facility, the Donnelly Science Center.

In addition, Mr. Chairman, the training component of the Center has been activated with the signing of a five year contract with the National Security Agency to provide managerial training to supervisors from Grades 12 to 15. Discussions are continuing regarding the signing of a second five year contract with the National Security Agency to provide executive level managerial training to managers at Level 15 and above. Similarly, interest has also been shown in the College's ability to address federal management and training problems by two other agencies -- the Social Security Administration and the Defense Contract Management Division of the Department of Defense. As the Center's management training programs become better known throughout the federal government, it is likely that a significant number of other federal agencies will participate.

FY 1990 Federal Request

Mr. Chairman, Loyola College is requesting that the Congress provide the final phase of federal funding for the Center for Advanced Information and Resource Management Studies in the Fiscal Year 1990 appropriations bill. A final federal grant of $3.5 million is necessary to enable Loyola College to complete Phase II of the Center project.

This final phase funding will permit the full development of the Center's computer communications network and provide the necessary computing resources to support the storage and transmittal of information via the new network throughout the campus and through gateways to federal and non-federal agencies throughout the region, the nation and the world. The federal funding will support the purchase and installation of a fiber optics cable system within the Center and with linkages to supporting research and academic facilities throughout the campus. This fiber optics system will permit the current trends mission of voice, data and graphics, as well as providing for the future use of voice, data, graphics and video in all areas of the campus. Additional equipment, including a campus-wide data switch, a voice switch and a replacement of the current DEC/VAX academic computing mainframe equipment with newer and more powerful mainframe computing equipment with larger data storage capability will be necessary.

Loyola College will match the federal funds provided for the above activities with funds to support the acquisition of micro-computer work stations for faculty staff and students along with serving devices at the departmental level which will provide medium sized data storage capability.

Conclusion

Finally, Mr. Chairman, in relation to the strategic materials missions of the Center for Advanced Information and Resource Management Studies, the final phase federal funding, when combined with state, college and private funds, will permit Loyola College to achieve the following:

1) Complete capability for the development, storage and nation-wide dissemination of data relating to the National Defense Stockpile for critical materials management.

2) Development and implementation of training programs for the current and future workforce as needed, with the capability of providing key federal staff as well as national and international scholars as guest lecturers or training leaders.

3) Full integration of technology into the curriculum, as well as the development of the campus into a microcosm of life as it will be lived in the information society in the twenty-first century. Such an environment can be expected to result in federal employees trained at Loyola who are well-versed in information technology and its applications, as well as resulting in Loyola College graduates who will bring this computer literacy to bear in the development and welfare of the various branches of federal government services as they become staff members of these organizations.

Mr. Chairman, we believe that we have used the initial federal investment in our new Center wisely, and believe that the final phase funding which you are being requested to provide in Fiscal Year 1990 will allow us to establish a true national resource for information, education and training for the federal government at Loyola College. We hope you will favorably consider our final request for federal funding for the completion of this facility.

Thank you, Mr. Chairman.

STATEMENT OF PETER STRAUSS, PRESIDENT AND MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF TOBACCO DISTRIBUTORS

Mr. Chairman and members of the subcommittee, my name is Peter Strauss, President and CEO of Metropolitan Distribution Services, Inc., Flushing, New York. I am also the President of the National Association of Tobacco Distributors. Our association represents over 570 corporate wholesaler-distributor members with over 740 distribution outlets, as well as 230 manufacturer and supplier associates whose 12,000 salesmen canvass and supply almost 1.5 million retail outlets selling tobacco products. The membership of the National Association of Tobacco Distributors covers all 50 states and our members market goods with an annual wholesale value of over $16.0 billion.

I am here today to stress the importance of the tobacco enforcement program within the Bureau of Alcohol, Tobacco, and Firearms (BATF) and to urge your support for its continued funding. This program has proven invaluable since its inception in 1979 as a deterrent to the cigarette bootlegging that was previously so prevalent in our country. It further serves to deter the tremendous loss of tax revenues accompanying that illegal activity.

Although the success of this tobacco enforcement program has been proven time and time again, year after year, the Administration's budget once again provides for its elimination. Such has been the case in the past six years, and in each of these years Congress has recognized the importance of the enforcement program and has provided adequate funding to carry out its original purposes. Our organization agrees with Congress and opposes the elimination of this valuable tobacco enforcement program.

For those of you who may not be familiar with the law enforcement program for tobacco products, let me take a moment to explain some of the activities so successfully accomplished by BATF over the past ten years. This BATF program not only provides a meaningful deterrent to the crime of cigarette smuggling and bootlegging by establishing a federal presence, but serves in many other ways as well. The sole responsibility of investigating interstate tax evasion falls to this program as does the coordination of the state enforcement programs. In addition, this BATF program provides training for state enforcement officers to assist them in carrying out their own investigations. As so accurately stated by this subcommittee in its report accompanying the FY 1989 Appropriations Bill for the Department of the Treasury:

> "This program has been directed toward investigating principal traffickers in contraband cigarettes, their sources and distributors. The major emphasis has been toward combating commercial interstate smuggling operations involving organized crime and those violations which cannot be jurisdictionally addressed by state and local law enforcement agencies. BATF should continue to concentrate its resources in those areas where overall coordination can be provided centrally more effectively and efficiently than can be done by the states individually. Inasmuch as the states share this responsibility, these states have begun to develop the technical and enforcement expertise required to prevent trafficing in contraband cigarettes.

The BATF tobacco enforcement program serves its purpose and serves it well. When asked about the program and its effectiveness, Department of Revenue or the equivalent in many states responded positively:

Pennsylvania: "Contraband statistics in Pennsylvania declined dramatically after passage of the Federal Contraband Tax Law in 1979. A federal presence in this area is important to prevent any resurgence in contraband cigarette activity."

Idaho: "..this is the only substantive threat against their bootlegging activity."

Delaware: "The federal contraband cigarette law is considered to have been extremely effective in reducing the number of tobacco tax revenue violations not only in Delaware, but nationwide since its implementation. It is essential that NATD voice strong support for BATF funding to continue the intelligence gathering, forensic laboratory examination, and training in enforcement techniques to state jurisdictions.

Another important aspect to consider is the significance of tobacco excise taxes to federal and state governments. In FY 1988, for example, the BATF estimated that almost $9.2 billion was collected from all levels of government. Even with the current program in place; however, revenues are still being lost due to contraband activity. The State of Ohio, for instance, estimates that $35 million a year is being lost due to the bootlegging of cigarettes. Uncollected excise taxes on cigarettes in Illinois reach around $20-25 million according to the manager of the Tax Enforcement Concentration Section in that state.

States cannot fight contraband activities alone. Because of cigarette tax differentials among various states and localities, much of the illegal activity occurs interstate as opposed to intrastate. Cigarettes are taken from areas of low excise tax rates to those with high excise tax rates for optimal illegal profit margin. In fact, a 1985 report by the

Advisory Commission on Intergovernmental Relations stated, " state tax differentials,which are the primary cause of cigarette smuggling, have widened in the last few years."

In the ensuing four years, the differential has only widened. Indeed, a recently passed excise tax in my neighboring state of Connecticut will result in a cost differential of nearly $3.00 a carton between New York and Connecticut. I can assure you that it won't be long before a substantial number of New York cigarettes make their way across the state border.

BATF's federal enforcement program is the only one equipped to effectively investigate this type of interstate activity. States and local governments do not have the jurisdictional power to accomplish these goals without the assistance of BATF which, in the last year has increased the number of cases initiated against bootleggers and the number of suspects recommended for prosecution.

Although state resources are scarce, the states are not standing idly by to watch the BATF at work. Individual; states are contributing to this effort by making every attempt to prevent these bootlegging problems from occurring in the first instance. Many have sent investigators to BATF training courses to improve their investigatory skills while others have taken more aggressive steps. A group of 13 states including Michigan and Ohio, for example, have established a multi-state toll free "hotline" number to receive information on contraband cigarette sales and activities. Additionally, states are pursuing an active role in taking these cigarette smugglers to court. Approximately fifty administrative and criminal cases were completed in Florida alone last year.

The consequences of eliminating the BATF tobacco enforcement program are evident. As stated previously, the state and local governments are already losing millions of dollar a year and cannot afford to lose more revenue in the future. Most importantly, it is an open invitation to organized crime to increase its activities in a very lucrative trade.

Furthermore, it is not only the state and local governments that are well served by the tobacco enforcement program. Wholesaler across the country are suffering the results of cigarette smuggling. The West Virginia Wholesalers Association estimated an annual loss of $21 million in sales for wholesalers in that state along. Rough estimates of losses to wholesalers in Ohio due to smuggling are around $27 million.

In closing, Mr. Chairman, let me reiterate my deep concern that in the absence of the BATF program, cigarette contraband activities are likely to soar to the devastating pre-1979 levels. I urge the subcommittee to continue to fund this critical program. An appropriation of $4.469 million to stem illegal activity and ensure the collection of $4 billion is certainly a worthy investment of taxpayer dollars.

Thank You.

STATEMENT OF SALLY KATZEN, CHAIR, AMERICAN BAR ASSOCIATION

My name is Sally Katzen and I appear today as a representative of the American Bar Association to urge increased Congressional support for the independent research activities of the Administrative Conference of the United States (ACUS). I am a partner in a law firm in Washington, D.C. specializing in administrative law. I have the honor of chairing the ABA's Section of Administrative Law and Regulatory Practice this year. The Section has almost 6,000 members and is the primary focus within the organized bar of efforts to improve the process by which state and federal government agencies function. I am also a public member of ACUS, having been appointed this past year.

Mr. Chairman, I appreciate the opportunity you are affording me to appear personally in your very heavy schedule. I will not waste your time with extensive elaboration on the essential work of ACUS or the extent to which the interaction that it fosters between the government and private-sector members produces consensus on reforms which would not otherwise be possible. Suffice it to say that over the years the ABA has recognized the value of ACUS proposals and has endorsed a number of them. Since 1979, the ABA has been on record in support of ACUS and this past year it reaffirmed its support as follows:

> BE IT RESOLVED, that the American Bar Association supports the reauthorization of the Administrative Conference of the United States (ACUS) and the provision of funds sufficient to permit ACUS to continue its role as the government's in-house advisor and coordinator of administrative procedural reform.

My purpose today is to request that you appropriate the full authorized amount of $2 million for fiscal year 1990 and that you recommend in your report that the current ceiling be lifted or increased.

Our support for full funding, at the rather modest level of $2 million, is based on three factors: the actual diminution of resources available in the face of flat appropriations these past two years; the value to the government of pro bono legal talent obtained by the Conference; and the fact that by spending a little money, it will be possible to save a lot of money.

ACUS has received $1.865 million these past two years and has requested that amount this year based on OMB's determination. The difference between the amount requested and the existing ceiling is $135,000 -- which may not be a large sum for most agencies but is a lot for an entity like ACUS. I asked ACUS what could be done if the full $2 million were authorized and was told that it might undertake one or more larger-scale projects such as an evaluation of procedures for employer sanctions and anti-discrimination enforcement under the Immigration Reform and

Control Act; a study of Commerce Department and International Trade Commission procedures for antidumping and countervailing duty cases; and an examination of potential uses of ombudsmen in the resolution of thousands of disputes -- so-called mass justice programs -- in such programs as Social Security, IRS, Medicare and the Immigration Service.

The second point I wish to make is that ACUS has 101 members drawn from academia, the heads of all major federal agencies, lawyers in private practice and others. They undertake the research work of ACUS through dozens of committee meetings and two annual plenary sessions. While the government representatives undertake their ACUS work as part of their overall responsibilities, the remainder do so pro bono publico -- in the best tradition of working for no fee on the important but non-glamorous subject of administrative procedure so as to improve the functioning of the federal bureaucracy. Assuming 45 public members devoting anywhere from 8-15 days a year on ACUS work, I can estimate nearly $1 million a year "donated" to this important work.

Finally, $2 million is a very modest expenditure toward seeking improvements in our one trillion dollar budget. Close accounting of expenditures is, of course, essential even for the smallest entity. But the Conference's fundamental purpose is to seek ways of protecting the rights of citizens as against the government while also improving government efficiency. When Congress established ACUS in 1964 after successful experiences with two temporary conferences, it recognized that expenditures for a permanent advisory agency was a sound investment. I will cite two examples that illustrate the correctness of that initial Congressional determination.

Some ten years ago the Administrative Conference undertook a study of the costs in time and money of suits challenging federal agency actions in federal courts. That study found that an enormous amount of private sector and government resources was devoted to the cumbersome process of bringing suit challenging a proposed agency regulation or decision in a particular federal court. It was found that the affected parties often perceived that one court or another might be more sympathetic to their point of view. Thus, extraordinarily expensive and almost comical races to the courthouse were undertaken with long-distance phone lines kept open days on end, with law clerks standing by those phones with walkie-talkies connected to other law clerks and other walkie-talkies, all with the purpose of filing an appeal from an agency determination or challenging an agency action one or two seconds before some other party filed a similar appeal in a different court. That study brought the problem to the attention of the ABA and the Section which I chair undertook to look into the matter. The result, eight years later, was action in the 100th Congress substituting a random method of selecting a federal court to hear an appeal from an agency action in those cases where more than one such appeal is lodged. As the Chairman of the Administrative Conference wrote in 1988, "A typical race can cost as much as $100,000." This is time and money saved by private attorneys, federal judges, court clerks and federal agency officials, and it is the type of reform which will accrue savings from now on.

Another example is the 1985 symposium co-sponsored by the ABA and ACUS. That symposium focused, among other things, on the fact that the Social Security Administration (SSA) was often refusing to follow in later cases federal court determinations on questions of law which conflicted with SSA policy. As a result of this policy of "non-acquiescence," private claimants in later Social Security cases were obliged to litigate issues that had

already been litigated to obtain relief in their case. While the holding of a particular federal court of appeals is not necessarily binding on courts of appeals in other circuits, it is conventional wisdom that such a ruling should be binding on the agency within that circuit. The symposium that we co-sponsored with ACUS highlighted this problem and recommended that the agency reconsider its practice. The research subsequently undertaken by ACUS and the policy adopted by the ABA urging a practice of acquiescense should lead to a new "acquiescence" policy which should save the SSA, the federal court system and private parties untold amounts of money and, perhaps more important, should help eliminate suspicion that the government is not fair to the most needy people in our society.

Finally, Mr. Chairman, I wish to reiterate our request that you appropriate the full $2 million authorized under current law this year. In addition, we would respectfully urge that your report should note the important cost-saving work of the Conference and recommend that the current ceiling be removed or adequately increased.

I would be pleased to respond to any questions you might have.

STATEMENT OF JAMES K. GORDON, DIRECTOR, INTERNATIONAL AFFAIRS, AIRPORT OPERATORS COUNCIL INTERNATIONAL

Mr. Chairman, Members of the Subcommittee, we'd like to thank you for the opportunity to come before you this morning to express the concerns of the Airport Operators Council International and the communities we represent.

The Airport Operators Council International represents the local, regional or state authorities that own and operate the U.S. airports serving virtually all U.S. international passenger and cargo airline service. AOCI's airports respond to their commun-

ities' needs for air transportation, to maintain and promote the growth of healthy local economies and the national economy. You know how trade and travel have been growing, and how important it is that we have adequate airport capacity to meet the needs of our communities. AOCI's airports and their communities invest more than the Customs budget each year, building facilities for the air transportation of people and goods.

Mr. Chairman, each year we come before you seeking your help in getting more and better service from Customs for our communities. We ask for staffing to process the rapidly-increasing numbers of travelers coming to the United States for business or pleasure, people whose presence is vital to our local and national economies. We ask your support for Customs Service programs that will make the best and most efficient use of scarce resources, so that Customs can defend our nation from contraband and collect duties without stifling the industries that earn us our livelihood. We ask your support for services from Customs that are efficient enough and applied equally across our nation, so that no community will suffer from unequal protection, or unequal benefit, from the law.

This year, our concerns are the same. We ask you for:

- Customs Service staffing sufficient to rapidly and efficiently process airline passengers arriving from outside the United States.
- Support for quick and flexible Customs Service response to the needs of the transportation system and the economic marketplace, in terms of staffing and policy.
- Support for Customs policy and programs to make the cargo transportation system more efficient and truly intermodal.

We also ask the Subcommittee's support for the legislative initiative to make the Customs User Fee revenues available to

Customs, with safeguards to assure that the funds are used only for the purposes for which they are collected, and for the direct benefit of those who pay the fees.

STAFFING

Mr. Chairman, the Customs Service has added 676 permanent, full-time inspectors to the 4,485 inspectors it had in 1980. The numbers actually declined to 4,456 in 1983, and it wasn't until 1987 that Customs staffing actually caught up to 1980 levels. This is in the context of rapid growth of tourism, travel and trade to the United States. Over 36.5 million persons arrived by air in the United States in 1988, half again as many as the nearly 23.5 million international airline passenger arrivals in 1980.

But even the 15 percent increase in inspection staff is deceptive. When we look at the figures for the Customs Service's regions, we find that several regions have had staffing increases that almost approximate the growth in their trade, and other regions have had three percent, six percent or 17 percent decreases in inspector staffing.

Customs staffing at U.S. airports is inadequate. About one-third of Customs' inspectors are assigned to airports. At a few airports, by adding more and more staff, Customs has managed to reduce the intolerable processing delays that had been common. At a number of airports, a passenger arriving from abroad still cannot clear the U.S. federal inspections, check-in and make a normal flight connection in anything like the industry norm of 90 minutes.

We very much appreciate the support the Congress has given us over the years on this issue. You have told the Commissioner of

Customs that he should establish a 45-minute time limit for federal inspections, from the time an airline flight arrives and the door is opened at the arrival gate until the last passenger exits the inspection hall. Last year the International Civil Aviation Organization, the world body that looks at international air transportation, adopted the same 45-minute time limit. Mr. Chairman, we ask your help in getting the resources to meet the service standard and in mandating that the inspection agencies meet it.

MASTER PLAN

On March 1 of this year, The Customs Service announced a new "Master Plan for Passenger Processing at U.S. Airports for the 1990's." The Master Plan represents a new and highly laudable initiative by the Customs Service and Immigration & Naturalization Service to cooperate for the benefit of the traveler and the community. The program is based on elimination of duplicate Customs and INS efforts, on a single query for each passenger to a combined computer system, and on selective enforcement by Customs that will catch the individuals bringing contraband or dutiable goods into our country. We are delighted to see the two inspection services working together this way, and their Commissioners and senior staffs deserve our thanks and compliments. It's a real departure from past examples of bureaucratic bickering and turf fighting. We are convinced that your interest and support created the conditions and provided the catalyst for this long-awaited initiative, and we thank you.

Customs officials assure us that their operations under the Master Plan will speed the processing of arriving passengers, reducing inspection time to much less than the 45-minutes that should be the absolute maximum. One of the features of the Master Plan is the elimination of the so-called "citizen bypass," which allows U.S. citizens, half of the passenger population, to bypass immigration and proceed to customs. The Master Plan requires the inspection of each and every arriving passenger by immigration. The facilities at some airports, such as John F. Kennedy International Airport at New York, cannot be modified to allow successful implementation of the Master Plan. Customs has acknowledged this, but we urge caution in changing the inspection system now used at JFK, and flexibility in approaching facility changes elsewhere.

We urge you to work with the inspection services to prevent the delays from increasing, especially for the returning U.S. citizens, because those U.S. citizens will react to new and unexpected airport delays not by criticizing civil servants who have created the problem, but by looking at the local and federal officials elected to provide airports and government services.

USER FEES

We originally opposed the creation of the user fees, because we believed that the entire nation and our economy benefit from trade and travel. Now that the user fees exist, we support using the customs user fees for their intended purposes. Passenger user fees imposed by Customs generated about $90 million in Fiscal 1988, and should reach $95 million in Fiscal 1989. The Customs Service is able to draw on user fee revenues only to reimburse inspection overtime and preclearance costs. There is a proposal to give the Customs Service more direct access to its user fees, similar to the provisions of the immigration user fee law. We are concerned that the Customs user fee proposal is flawed, and we ask for your close attention. We hope you will require, explicitly and in the legislation, that customs provide services paid for by user fees directly for the benefit of those who pay the fees, and forbid use of the funds to pay for services that do not generate user fees. Also, it is our impression that the Customs Service already has begun to shift personnel away from air passenger inspection and redefine their duties and functions, with the intent of applying the user fee revenues to replace the staff it has taken away.

The user fee legislative proposal, as we understand it, would provide for reimbursement of four types of costs:

- Staffing at passenger and mail processing locations.
- Inspectional overtime and all preclearance services for which recipients do not reimburse Customs.
- Expanding the operation and maintenance of informational systems related to the processing of arriving passengers, carriers and mail.
- Operation of communication equipment used for Customs' small boat and private aircraft programs.

The latter two cost areas are related to passenger processing, certainly, but their original justifications and their greatest impact are in support of Customs' anti-smuggling enforcement programs. The new user fee legislation should preclude any federal dipping, whether or not innocently proposed, into user fee funds, for purposes different than that for which they were collected. We need to require full and transparent accounting for the use of customs user fees.

AIRPORT COSTS

Mr. Chairman, we need the Customs Service to perform its statutory function so that our communities can have international air service. Federal officials know this, and they sometimes impose onerous or costly requirements on airports as conditions on their performance of their duty.

Last year, we testified before Congress about a 1987 revision of the standard guidelines for federal inspection facilities at airports, and expressed our concern about "gold-plating" in the facilities requirements. Now, with the new Master Plan, the inspections process is to change again, and the facilities provided by airports will have to change again. At Baltimore-Washington International Airport, the airport is just completing a $200,000-dollar renovation of its FIS area, to comply with the 1987 facilities guidelines. The work isn't even complete yet, but the airport has been informed that changes will be needed so that Customs can implement the Master Plan, and the cost will run on the order of $100,000. Multiply that by the number of international airports, many of them larger than BWI, and you can see the negative impact on the creation of new airport capacity. An airport can resist the inspection agencies' demands only so long, until new or different inspection services are needed. And this will continue as long as airport facilities are free to the inspection agencies.

Our communities pay for airport facilities to serve the air transport system. While the existence of a federal customs service is the result of a national interest, we do not believe there is any national interest in forcing communities to pay for this year's inspection service brainstorm. Federal inspection services should have to justify the expenditures they determine are necessary, and either pay for the modifications or be restricted from demanding them. We will be seeking authorization for the use of airline passengers' user fees for airport modifications required by Customs, and we hope you'll be sympathetic to this effort.

CARGO

Air cargo service is important to the health of a city's economy and another source of concern for airport capacity. The efficient use of scarce air cargo terminal space is a direct function of the efficiency of the Customs Service.

Last year, this Subcommittee heard testimony from seaport authorities concerned that a lack of uniformity in commodity classification was leading brokers, forwarders and importers to seek out ports where their goods received the most favorable classification and valuation. This practice has begun to appear in the air cargo business, compounded by differences in staffing and delay, and uneven enforcement at different airports. Port shopping distorts the transportation system and the economy, and sacrifices the interests of one community for those of another. The ability of customs officers at one port, district or region to make independent decisions was of no great importance when our country's market was fragmented, but now that our market is unified and domestic transportation is as easy as it is, we must have uniformity from our customs service.

Shippers pay a premium to use air cargo, but there is no performance standard for air cargo clearance. Clearance delays that reduce the capacity of airport facilities are all too common. We are pleased that Customs will allow Centralized Examination Stations at airports; there are many situations in which the CES concept can benefit the shipper, the importer, the community and its airport, and the Customs Service.

Cargo automation is another example of Customs' overemphasis on new initiatives that address Customs' own problems, rather than serving the trade process. The Automated Commercial System was designed to compensate for staffing shortages, without sufficient regard to the importance of the cargo transportation system to the national economy, and without due consideration for the great potential for making that transportation system truly intermodal and thus more efficient. The Automated Commercial System concept is today a collection of independent computer systems used for the customs clearance of cargo. More emphasis must be given to reducing the time cargo waits for clearance, with the objective of increasing the efficiency of expensive cargo facilities.

The Customs Service needs to cooperate more with other neutral parties in building systems to link the trade community. Only recently has Customs begun to cooperate with airports' efforts to set up community systems to automate the information flows, Customs has yet to provide the same type of information to airports' systems that is routinely provided to seaports' computer systems. Mr. Chairman, we ask your support in urging the Customs Service to take a more progressive attitude, to actively support the development of community computer systems for the clearance and intermodal transfer of air cargoes, to support the competitive development of U.S. trade.

To conclude, Mr. Chairman, AOCI asks your help in reemphasizing the basic purposes of business and economic activity. If our trade is inefficient, it will wither away, and our fellow citizens will be the poorer. A proper balance must be struck between drug interdiction and the inspection and control of trade. Economic hardship and lack of other opportunity in our communities are powerful incentives for the sale and use of drugs, and a healthy, growing economy can provide opportunity and challenge that will reduce the attraction of drugs. We urge you to give the Customs Service the resources it needs, to do the job it ought to be doing.

Thank you. I would be pleased to answer any questions the Subcommittee may care to ask.

STATEMENT OF LUANNE JAMES, EXECUTIVE DIRECTOR, ADAPSO

My name is Luanne James and I am Executive Director of ADAPSO, the principal trade association for the U.S. computer software and services industry. Its more than 800 corporate members provide the public and government with a variety of computer software and services including remote computing and data network services, software for personal, mini, and mainframe computers, professional software services, and information systems integration.

ADAPSO is pleased to have this opportunity to submit our testimony for the hearing record of the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government. I wish to express ADAPSO's views on the effect of Section 627 of Public Law 100-440. This provision mandates that government agencies acquire voice, data, and video services from the FTS 2000 vendors only. ADAPSO fully supports the mandatory contract provision for switched voice service, but we are opposed to the extension of this requirement to data and video services.

ADAPSO has several points on this opposition that we wish to express to the members of this Subcommittee:

1) The mandatory provision of data services was added after the fact and was not part of the original Request for Proposal (RFP) for FTS 2000.

As you are well aware, Section 627 was added to H.R. 4775, in late May of last year. The bill did not become law until September 22, 1988. At a much earlier date, when the vendors were deciding whether or not to bid on the FTS 2000 RFP, it was never planned that this contract would be mandatory for data and video services. Nowhere in the contract solicitation or in GSA announcements did it appear that this was even a remote possibility.

Vendors who chose not to bid can rightfully claim that the rules of fair play were violated in this instance. Different business decisions may have been made had the likelihood of mandatory data services under FTS 2000 been known to the vendor community at the time the bid proposals were being considered. ADAPSO believes that the retroactive addition of this requirement is particularly unfortunate since FTS 2000 is one of the largest, and most important, federal procurements ever awarded. Since the contract has a ten-year life, these vendors will be ostensibly precluded from competing for the ability to offer data services for some time to come.

2) Making data and video services mandatory under FTS 2000 runs counter to the Federal Government's long-standing commitment to fair and open competition.

There are literally dozens of firms, representing the total spectrum of small, mid-sized, and large companies, who are currently able to offer data services to federal agencies. In fact, this is one of the most dynamic areas of federal procurement activity. Section 627 eliminates this vigorous competition and replaces it with a two-company oligopoly. Even the two winning vendors do not compete with each other since the 60%/40% split of the FTS 2000 contract divides government agencies into two networks.

ADAPSO believes this limiting of competition is inconsistent with the Competition in Contracting Act, and other federal statutes designed to increase the number of firms participating in the federal marketplace. In fact, the imposition of the mandatory requirement of data services constitutes a non-competitive sole source award of business to the FTS 2000 contractors.

3) GSA's recent statements about its interpretation of Section 627 appear to prohibit federal agencies from considering alternatives to the mandatory use of data services under FTS 2000 even if these solutions could provide the government with service at a lower cost.

When this Subcommittee adopted Section 627, it included a clause that permitted an agency an exemption from FTS 2000 use if it could: 1) establish that it had a unique requirement that FTS 2000 could not satisfy, and 2) that this procurement would be cost effective and not adversely affect the cost effectiveness of the FTS 2000 procurement.

GSA, however, has made recent public statements of its intention to ignore cost considerations, to eliminate agency discretion, and to expand the scope of FTS 2000 without the benefit of competition. ADAPSO again wants to highlight that one of the most fundamental principles of federal procurement policy--the acquisition of the best product or service at the lowest cost--is being compromised. GSA is instructing the federal agencies that even innovative solutions that save agencies money will not be permitted under its interpretation of Section 627.

4) By restricting the vendors of data and video services under FTS 2000, the Congress and GSA are stifling new and innovative technologies from being introduced in the federal marketplace.

As stated earlier, there are dozens of innovative high technology companies who either offer, or had hoped to offer, a vast range of data services to federal agencies. Many of these companies work with the agencies to introduce new services even before they are available in the commercial sector.

Vigorous competition in the offering of these new services has accelerated the already rapid pace of technological advances, often causing prices to decline. This infusion of new technology, however, will now be foreclosed by the restriction of data and video services to two non-competing vendors. In addition, since Section 627 is written prospectively to include any product or service that "will be available" under the procurement known as FTS 2000, new products and services from non-FTS 2000 vendors will be barred from the federal marketplace for the foreseeable future. GSA has also indicated that waivers and exemptions under Section 627 will be exceedingly rare. Under these circumstances, it is inevitable that federal agencies will suffer from the reduction of technologically innovative solutions no longer available to them. It is ADAPSO's view that this was never contemplated to be the effect of FTS 2000.

In summary, ADAPSO urges the Subcommittee to reconsider the negative impact of Section 627 and allow for competition in data services. We recommend that an amendment be added to this year's appropriations bill assuring that the government attains the best service and the most advanced technology needed for its data communications requirements through full and open competition. Such action on the part of Congress will allow GSA to revise its policy to the greater benefit of the federal agencies by restoring fair competition to the federal marketplace while guaranteeing them their continued access to the latest technology at the lowest possible cost.

ADAPSO appreciates having this opportunity to express our views and is willing to assist the Subcommittee further on this subject. Thank you.

STATEMENT OF KATHRYN BENDER, DISTRICT COORDINATOR, ARIZONA, AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. Chairman and Members of the Treasury, Postal Service, and General Government Appropriations Subcommittee, the American Association of Retired Persons (AARP) appreciates the opportunity to testify here today.

On behalf of AARP, I also wish to express our appreciation for this Subcommittee's strong support over the years for the Tax Counseling for the Elderly (TCE) program and AARP's Tax-Aide program specifically. The success that TCE and Tax-Aide have enjoyed would not have been possible without your assistance.

A. Funding for Tax-Counseling for the Elderly

The Association has two major funding recommendations for TCE for fiscal year (FY) 1990. First, we urge the Subcommittee to continue the past practice of providing a statutory appropriation. We strongly believe that it is preferable to have an earmarked statutory appropriation, rather than fund TCE through a generic taxpayer assistance account. A statutory appropriation provides greater assurance that funds will, in fact, be used for TCE, rather than be diverted for other IRS activities. It also provides greater accountability.

Second, the Association recommends that TCE be funded, at a minimum, at $2.8 million for FY 1990. This is the same amount as the FY 1989 appropriation. We are making this recommendation because we fully realize that the Subcommittee will operate with a tight budget for FY 1990.

However, if budgetary conditions permit, we would recommend that the funding level be boosted modestly by $200,000 to $3 million. This adjustment would help to cover the expected increase in the

TCE and Tax-Aide workloads and rising operating costs due to inflation.

The 1987-88 tax season was a record-breaking period for AARP's Tax-Aide program. A few statistics will help to illustrate this point:

- The number of returns that Tax-Aide Counselors either prepared or assisted jumped by nearly 30 percent, from 1,207,555 for the 1986-87 tax season to 1,564,914 for 1987-88.

- The number of elderly persons who were helped rose by 29 percent, from 1,035,000 for 1986-87 to 1,335,750 for 1987-88.

- More than 25,000 volunteers served as Tax-Aide Counselors, up 7 percent from the preceding year.

We do not have complete data for the current tax season, but we expect that the growth will continue for this year, as well as in the future. There are several reasons why this is likely to happen. First, the elderly population is growing, and will continue to increase. The rate will accelerate during the early part of the 21st century.

Since the tax landscape typically changes dramatically when persons retire, a large number of older Americans need assistance in preparing their returns. For example, much of the elderly's income is not subject to withholding. Consequently, many older Americans must file quarterly estimated payments. A large proportion of these individuals encounter difficulty in determining their bottom line tax liability for purposes of making quarterly installments.

The computation of the taxable portion of a contributory pension can also pose formidable difficulties. This calculation requires the use of life expectancy and annuity tables, which the average person does not have. Even if the information is available, the computation is so complex that a substantial portion of older Americans are unable to make the necessary calculations.

Second, the tax law has been changed substantially in recent years. Many older Americans are still not completely conversant with these provisions, and have great difficulty keeping up to date. Changes include the additional standard deduction for persons 65 or older who do not itemize their deductions, the increase in the floor (from 5 percent to 7.5 percent of adjusted gross income) before medical and dental expenses can be claimed by taxpayers who itemize their deductions, and the new rules regarding the deduction of IRAs. Taxpayers are also confused by the changing rates and the impact on their tax liabilities.

Third, the IRS has increasingly turned to Tax-Aide and other TCE programs to provide assistance, in large part because budgetary constraints have stretched IRS' ability to respond to public inquiries directly.

In addition, Tax-Aide volunteer Instructors are increasingly assuming TCE training tasks throughout the country to relieve IRS trainers of this responsibility. In fact, the majority of Tax-Aide volunteer Counselors are now trained by Instructors from within the program. These Tax-Aide Instructors are extremely knowledgeable about the law, not only in terms of the rules, but also in the day-to-day application of these provisions. The net impact is that Tax-Aide Counselors receive more in-depth instruction and frequently develop a better knowledge of the tax code. This produces better services for older Americans.

Over the years, the IRS has repeatedly stressed that no taxpayer should pay more income tax than legally required. Unfortunately, large numbers of older Americans overpay their taxes each year, for a variety of reasons. Some are confused by the tax form. Others are overwhelmed by the Internal Revenue Code. Numerous elderly persons are simply unaware of available deductions and other tax relief measures. Tax-Aide and other TCE programs help to assure that taxpayers claim all lawful allowances.

Tax-Aide also benefits the IRS by increasing taxpayer compliance, through taxpayers better understanding their obligations. This can produce additional revenue for the Treasury. Tax-Aide volunteers help to assure that more returns are prepared completely and accurately. Furthermore, the increasing use of Tax-Aide volunteers to provide instruction for TCE Counselors helps to free up IRS personnel to perform other services. Finally, the program has enabled IRS to serve more effectively hard-to-reach taxpayers, such as aged minorities, the rural elderly, and shut-ins, especially those residing in nursing homes or senior citizen housing. Tax-Aide's target population continues to be older, low and moderate income taxpayers -- those who cannot afford to pay professional preparers to help with their taxes.

In conclusion, Tax-Aide and TCE have benefited our nation, the IRS, and low or moderate-income older Americans who receive competent service at no charge. We, therefore, reaffirm that TCE should be funded at least at $2.8 million for FY 1990, and preferably at a higher level if budgetary conditions permit.

B. REVENUE FOREGONE APPROPRIATION

In addition, the Association urges the Subcommittee to approve a revenue foregone appropriation which would maintain postal rates for nonprofit mailers at the current step 16 levels. This is currently estimated at $459.775 million.

Congress provided this subsidy in recognition that private nonprivate organizations complement government activities at all levels -- federal, state, and local. Indeed, the nonprofit sector often acts as a substitute when governmental units are unable to perform certain functions because of budgetary constraints. In many cases, these services enable recipients to live independently without any governmental assistance.

Many of these services would be sharply curtailed or eliminated if Congress did not provide adequate funding for the revenue foregone subsidy for nonprofit mailers. Reduced postal rates for private, nonprofit organizations enable these groups to utilize their limited resources more effectively in providing supportive, educational, health, and other human services. A substantial increase in postal rates would make it more difficult for the private, nonprofit sector to deliver these essential services. AARP strongly believes that it is sound and sensible policy to encourage private, nonprofit organizations to complement government activities and to fill in voids where service gaps exist. This rationale is even more compelling now because of recent federal spending cuts for social programs.

C. CONCLUSION

In conclusion, the Association appreciates the opportunity to present its view concerning these issues and urges the Subcommittee to recommend at least $2.8 million for TCE and a sufficient amount (currently estimated at $459.775 million) for the revenue foregone appropriation to maintain current postal rates for nonprofit mailers.

STATEMENT OF DOUGLAS J. BENNET, PRESIDENT, NATIONAL PUBLIC RADIO

Mr. Chairman, as President of National Public Radio, I thank you for this opportunity to submit testimony in support of the postal revenue forgone subsidy. I urge you to fund fully the subsidy at $459.8 million for FY 1990.

National Public Radio represents over 350 public radio stations across the country that are an important source of news, information and cultural programming in their communities. This programming mix is a blend of distinguished national fare such as ALL THINGS CONSIDERED, MORNING EDITION and PERFORMANCE TODAY and locally-produced programs tailored to the needs of local audiences.

Public radio is a remarkable partnership of federal, state and local governments and universities, foundations, corporations, community groups and individuals, all acting together to support quality programming which would not otherwise be available in our country. Our stations, which are organized as nonprofit entities, must go each year to these varied sources of funding for the money needed to stay on the air. Public radio's support is now about half private and half public. Only about 15 percent of the average station's budget comes from the federal government. In FY 1987, over one million subscribers contributed $52 million, almost 20 percent of public radio's revenue, to their local stations. Listeners are now the largest single source of support for public radio.

Developing and maintaining this listener support is crucial to public radio. One way stations cultivate such support is through use of the mail, primarily second and third class, to keep in touch with their members. The mail is also key to outreach efforts that make listener-supported stations such an important part of their communities. Reasonable nonprofit postal rates are a key component of every station's budget.

The primary print communications used by public radio stations is the program guide, which is sent by nonprofit second or third class mail. It contains program listings for the station that generally cannot be found elsewhere (newspapers stopped carrying detailed radio listings years ago), and information about the station, membership, and in some cases, feature articles about the community. The program guide serves as a reminder of the station's importance to the listener and its place in the community, and helps to reinforce the station's need for contributions from each and every listener at fundraising time.

Stations also use nonprofit third class mail to carry out development efforts, both as a follow-up to on-air fundraising (by sending pledge forms, renewal notices and premiums) and, through use of targeted direct mail, to solicit new members and retain current members.

In 1988, NPR member stations sent an average of 58,870 pieces of nonprofit third class mail. The average station spent $5,500 on third class mail, about 50 percent of its total budget for postage. One station, WETA-FM in Washington, D.C., spent $150,000 sending over one million pieces in this category. Second class mail, though less heavily used, is also important to NPR member stations, who sent an average of 27,000 pieces at an average cost of $1,600 per station. It is generally used for program guides and other dated material. Together the two classes of mail make up 60 percent of the average station's postage costs.

If revenue forgone was not funded and nonprofit organizations are required to pay commercial rates, public radio stations' mailing costs will increase by approximately 40 percent. Such an increase could affect stations in several different ways. A similar cost increase in 1986 forced stations to cut down on the size and frequency of publication of program guides, or to reduce their circulation. Some restricted development efforts normally carried on through the mail, and saw adverse effects on their fundraising; others were forced to reduce spending in other budget areas, such as programming, since it is the area over which station managers have the most direct control.

With passage of the "equal markup" amendment that became effective with the last general postal rate increase on April 3, 1988, the revenue forgone requirement -- that is, the level of appropriated tax revenue needed to support the policy -- has been significantly reduced. The amount requested for FY 1990 represents only a 5.4 percent increase over last year's appropriation, and is less than one percent greater than the initial revenue forgone appropriation of $457.6 million for FY 1972.

In summary, I want to thank the committee for its past support and urge its support for the subsidy at $459.8 million for FY 1990. This subsidy helps nonprofit organizations, including public radio stations, to carry out effectively their mission of bringing much needed services to their local communities. It is indeed a program worthy of the continued commitment of federal dollars.

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

	Page
American Federation of Federal Employees, prepared statement	626
Barber, Jean, Associate Director for Retirement and Insurance, Office of Personnel Management	223
Bateman, Paul W., Deputy Assistant to the President for Management, and Director of the Office of Administration, Executive Office of the President	1
Prepared statement	4
Biographical sketch	7
Bender, Kathryn, district coordinator, Arizona, American Association of Retired Persons, prepared statement	698
Bennet, Douglas J., president, National Public Radio, prepared statement	703
Bennett, William J., Director, Office of National Drug Control Policy	521
Prepared statement	525
Berry, Mary Frances, professor, University of Pennsylvania, on behalf of the National Coordinating Committee for the Promotion of History, prepared statement	624
Brady, Hon. Nicholas F., Secretary of the Treasury	373
Prepared statement	375
Burman, Dr. Allan V., Deputy Administrator and Acting Administrator, Office of Federal Procurement Policy	341
Prepared statement	344
Campbell, Donald E., Deputy Director, Office of Government Ethics	153
Carnes, Bruce, Director, Office of Planning, Budget and Administration, Office of National Drug Control Policy	521
Cooley, Claudia, Associate Director for Personnel Systems and Oversight, Office of Personnel Management	223
Cummings, Gregory D., Budget Officer, Executive Office of the President	1
Darman, Richard, Director, Office of Management and Budget	439
Prepared statement	441
Letter from	447
Dawson, Robert K., Associate Director, Natural Resources, Energy and Science, Office of Management and Budget, letters from	491
Elliott, Lee Ann, Vice Chairman, and Chairman of the Finance Committee, Federal Election Commission	189
Prepared statement	192
Gordon, James K., director, international affairs, Airport Operators Council International, prepared statement	687
Horner, Constance, Director, Office of Personnel Management	223
Prepared statement	226
Irastorza, Hector F., Jr., Special Assistant to the President, Executive Office of the President	1
Biographical sketch	8
James, Luanne, executive director, ADAPSO, prepared statement	696
Jefferson, Julius Calvin, Sr., president, Council 260, American Federation of Government Employees, prepared statement	622
Katzen, Sally, chair, American Bar Association, prepared statement	683

Page

King, Robert, executive director, Mothers Against Drunk Driving, prepared statement 663
Knebel, John A., president, the American Mining Congress, prepared statement 674
Koch, Kathleen Day, General Counsel, Federal Labor Relations Authority 87
  Prepared statement 98
  Biographical sketch 104

Lammon, Bob, Fiscal Officer, Office of Government Ethics 153
Ley, Jane S., Deputy General Counsel, Office of Government Ethics 153
Lindstrom, Perry, Acting Executive Director, National Critical Materials Council 63

McDaniel, James I., Associate Regional Director, White House Liaison, National Park Service, National Capital Region, Executive Residence at the White House 37
McGarry, John W., Federal Election Commission 189
McKee, Jean, Acting Chairman, Federal Labor Relations Authority 87
  Prepared statement 89
  Biographical sketch 95
Megronigle, James, Assistant Archivist for Management and Administration, National Archives and Records Administration 119
Montague, Robert M., Jr., vice president, "Just Say No" International, prepared statement 635
Moore, Thomas G., Acting Chairman, National Critical Materials Council 63
  Prepared statement 66
Murillo, Maryanne, Budget Analyst, National Park Service, National Capital Region, Executive Residence at the White House 37

National Democratic Policy Committee, prepared statement 629
National Newspaper Association, prepared statement 658
Nebeker, Frank Q., Director, Office of Government Ethics 153
  Prepared statement 157
Nummy, David M., Acting Assistant Secretary for Management, Department of the Treasury 373

Peterson, Donald H., general manager Workshops for the Blind, prepared statement 612

Rasmussen, Ron R., Director, Financial Management Division, Executive Office of the President 1

Sarbanes, Hon. Paul S., U.S. Senator from Maryland, statement of 119
  Prepared statement 121
Segal, Geraldine R., professor of history, University of Pennsylvania, on behalf of the National Coordinating Committee for the Promotion of History, prepared statement 624
Sellinger, Father Joseph, president, Loyola College of Baltimore, prepared statement 675
Silbergeld, Mark, president, Alliance of Nonprofit Mailers, prepared statement 648
Small, Richard A., Acting Deputy Assistant Secretary for Enforcement, Department of the Treasury 373
Stanton, Robert G., Regional Director, National Park Service, National Capital Region, Executive Residence at the White House 37
  Prepared statement 40
Stein, Dale, Ph.D., president, Michigan Technological University, prepared statement 671
Strauss, Peter, president and member, board of directors, National Association of Tobacco Distributors, prepared statement 679
Surina, John, Staff Director, Federal Election Commission, memorandum from 214

Tobias, Robert M., national president, National Treasury Employees Union, prepared statement 594

Villines, Evelyne, member, board of directors, National Industries for the Severely Handicapped, prepared statement 639

Page

Walsh, Samuel J., assistant director, National Legislative Commission, the American Legion, prepared statement 657

Walter, J. Jackson, Director of Government Ethics, Office of Personnel Management, letters from 168

Walters, John, Chief of Staff, Office of National Drug Control Policy 521

Weiher, Claudine J., Deputy Archivist, National Archives and Records Administration 119

Wells, Sally, senior vice president for development, WETA Television, prepared statement 666

Whitley, Joe D., Acting Associate Attorney General, Department of Justice, memorandum from 398

Wilson, Don W., Archivist, National Archives and Records Administration, prepared statement 123

SUBJECT INDEX

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

Page
Additional committee questions 404
Air Interdiction Program 382
Air program, funding for 382
Assault weapons 394
Commercial operations, reduction in 394
Customs fiscal year 1990 budget request 393
Departmental Offices fiscal year 1989 supplemental request 380
Drug bill funding 381
Drug czar 388
Fiscal year 1989 supplemental requests 378
Fiscal year 1990 budget request 374
FLETC master plan 386
FMS postage supplemental 378
Foreign assets control 402
FSLIC's, assets in 392
Internal Revenue Code, section 89 of 384
IRS enforcement 401
IRS fiscal year 1990 budget request 400
Money laundering 401
Section 89:
    Farm credit loans under 389
    Postponement of requirements 390
    Time extension on 386
Section 881, title 21, legal opinion 396
SSA, reimbursement from 379
Weapons survey 395
    Results from 399

EXECUTIVE OFFICE OF THE PRESIDENT

EXECUTIVE RESIDENCE AT THE WHITE HOUSE

Additional committee questions 53
Executive residence, condition of 38
Federal day-care playground 51
Other operating needs 38
Restoration needs 38
Stone restoration 50
White House Historical Association 52
White House, exterior restoration of 38

NATIONAL CRITICAL MATERIALS COUNCIL

Minerals and critical materials policy 75

OFFICE OF ADMINISTRATION

Additional committee questions 13
Executive Office of the President drug testing 12
Transition costs, fiscal year 1989 11
Vice President's residence 11

White House Office: Page
  Computer systems 9
  Increase 8
  Travel 10

OFFICE OF FEDERAL PROCUREMENT POLICY

Additional committee questions 356
Additional staff resources 355
Defense, oversight of 355
Drug-free workplace 353
Packard Commission recommendations 354
Reauthorization 341
Recent initiatives 342

OFFICE OF MANAGEMENT AND BUDGET

Additional committee questions 461
Agency management improvement 445
Customs drug interdiction 452
Customs, impact of proposed across-the-board cut on 457
Detailees, OMB use of 447
Drug program funding 454
Drug Programs, impact of across-the-board cut on 458
Financial Management Services postage costs 460
Fiscal year 1989 supplemental funding 455
Increased OMB staff, proposed allocation of 446
IRS budget/revenue initiatives 448
IRS taxpayers assistance, fee for 451
Management focus, more need for 444
Management improvement, investment in 443
Objective system, new management by 444
OMB improving management coordination 446
Proposed fiscal year 1989 across-the-board cut 456
Proposed OMB staff increase 443
Revenue estimates, tracking of 449

OFFICE OF NATIONAL DRUG CONTROL POLICY

Additional committee questions 558
Air interdiction 527
Alcohol abuse 542
Assault weapons 547
Cocaine babies 534, 544
Customs Service seizure authority 545
D.C. initiative 549
DOD:
  Funding 539
  Involvement 556
Drug testing drivers license applicants 545
Fiscal year 1990, funding priorities for 534, 538
International narcotics control 548
Local law enforcement 533
Office location and security 557
P-3A's, transfer of 529
Prevention and treatment 535
Southwest border-high intensity drug trafficking areas 553
Strategy development 531
User accountability 554

FEDERAL ELECTION COMMISSION

Budget overview 189
Budget request 190
Cutbacks 203
Presidential fund dollar checkoff 204
Submitted questions 206
Supplemental request 190

Page
1989 rescission 191

FEDERAL LABOR RELATIONS AUTHORITY

Case intake 105
Attorney fees 105
Authority membership, vacancies in 106
Reduction of five positions 106
Additional committee questions 107

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

Additional committee questions 130
Archives II 125
    Update 128
Grants funding 127
Grants program 120
Hearings schedule change 122
National Archives introduction 123
National Historical Publications and Records Commission 119, 127
Reagan materials transfer 126
Unobligated lapsed funding 128

OFFICE OF GOVERNMENT ETHICS

Additional committee questions 170
Authority 154
Income tax initiatives 167
Organization 153
Oversight considerations 170
Personnel 165
    Salaries 165
    Strength 167
Reauthorization 155
Rent 165

OFFICE OF PERSONNEL MANAGEMENT

Additional committee questions 282
Appropriations request 225
Budget proposals 224
Child care 279
Combined Federal Campaign 228
Consulting services 280
Contract, awarding of 229
Cost benefit analysis 281
Executive seminar center 228
FBI demonstration project 277
FERS recordkeeping system 230
General provision 226
Other law enforcement personnel, effect on 278
Special pay rates 231, 277

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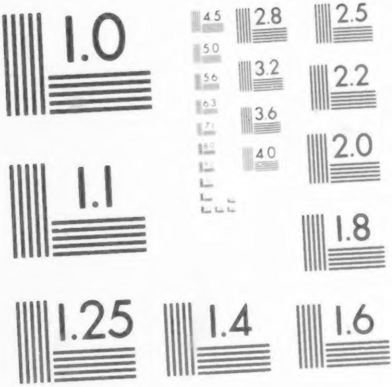
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